

Relations between trade, development policy and the CFSP: Analysing incoherence in EU external policies

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Introduction

Recent years have witnessed an increasing *political* interest in improving the overall coherence of the European Union's external policies. There is broad agreement that the EU needs to improve the coherence of its external policies, both to avoid negative ramifications between sector policies and to capitalise on potential benefits from strategic policy links. These strategic policy linkages are of special interest in light of the new security threats facing Europe (terrorism, failed states, regional instability, migration etc.); threats that are probably best handled through the use of both 'soft' and 'hard' power, e.g. a mixture of economic and political instruments.² The political self-image of the EU as a global actor with a versatile *tool-box* capable of handling all types of international challenges with a differentiated and holistic approach, does indeed presuppose that the EU is in fact able to co-ordinate its external policies.

There is also a growing *academic* interest in understanding the 'broader picture' of the European Union as a global actor.³ Here, the main challenge is to grasp the complexity of the EU as a foreign policy actor and the diversity of EU external relations. The different external policies of the Union have traditionally been analysed by drawing on theoretical tools from various sub-disciplines, such as development economics, international trade theory, foreign policy analysis, integration theory, etc.⁴ The challenge facing researchers today is to develop a more comprehensive analytical approach to the EU as a global actor, bridging the disciplinary/analytical gaps between the study of the CFSP and the study of other external policies.

The political efforts to strengthen the coherence of the EU's external policies and the academic efforts to develop a comprehensive theoretical understanding of the EU as a global actor have proved extremely challenging. This is arguably because the two agendas are linked: In order to understand the *practical* challenges involved in improving policy coherence, we need a better *theoretical* understanding of the external policies of the Union and how they interact. Likewise, a better theoretical understanding of how the EU operates in international affairs presupposes better knowledge of the actual political dynamics of the different external policy fields.

¹ This draft paper is part of a larger research project initiated in September 2003, on the trade and development aid policies of the EU. The paper is a first draft and should be read accordingly. Comments and suggestions are obviously most welcome (Send to Jess Pilegaard at jpi@diis.dk)

² Biscop & Coolsaet (2003).

³ See e.g. Bretherton & Vogler (1999); Smith (2002).

⁴ See e.g. Carlsnaes & Smith (1994).

Different theoretical assumptions (be they explicit or tacit) lead to different expectations and different explanations of policy incoherence, which in turn leads to different assessments of the possibilities for improving policy coherence in the external policies of the European Union (i.e. policy change). It is consequently important to assess the utility of various theoretical approaches in analysing policy incoherence and policy change. The present paper will argue that mainstream approaches to the analysis of EU external policies are unable to provide a satisfactory explanation of policy incoherence. Analytical approaches that conceptualise the Union as a relatively unified actor tend to neglect or downplay the problem of policy incoherence, whereas approaches that focus on the different units (states, supranational institutions etc.) tend to exaggerate the problem. The different theoretical approaches yield significant contributions in terms of understanding policy incoherence, but they fail to provide a persuasive account of the dynamics behind policy incoherence and especially policy change. Drawing on existing approaches, the present paper will suggest some ideas on how to strengthen the analysis of both policy incoherence and policy change in the external policies of the Union.

Policy incoherence: Is it really a problem?

The European 'coherence debate' is longstanding and refers to at least three different levels: 1) the lack of policy direction and continuity; 2) the lack of co-ordination between policy fields; and 3) the lack of co-ordination between EU policies and member states' policies.⁵ From one angle, the criticism may seem unwarranted. Most states pursue a multitude of foreign policy objectives and their external actions and policies are consequently bound to conflict occasionally. The typical example would be a state professing to promote global human rights, while simultaneously entertaining economic and political relations with regimes that are decidedly undemocratic. If the external policies of states are incoherent, one can hardly fault the European Union for its lack of coherence.

This argument can be expanded by looking at recent efforts to develop a more comprehensive analytical understanding of the European Union as a global actor. Charlotte Bretherton and John Vogler argue that the European Union is an actor *sui generis* that should be studied in its own right.⁶ Working from social constructivist assumptions, they argue that the EU by and large fulfils their five basic requirements for actorhood, namely:

1. Shared commitment to a set of overarching values and principles
2. The ability to identify policy priorities and to formulate coherent policies
3. The ability effectively to negotiate with other actors in the international system
4. The availability of, and capacity to utilize, policy instruments
5. Domestic legitimation of decision processes, and priorities, relating to external policy.

In the present context, the second requirement is obviously the more pertinent. The authors dwell at some length over the problems of coherence, but given the overall focus of their research, analysing and explaining policy incoherence remains a relatively minor

⁵ See Bretherton and Vogler (1999), esp. pp. 132-137.

⁶ Bretherton & Vogler (1999): 44.

concern. Bretherton & Vogler suggest that a number of policy conflicts are endemic (e.g. trade and the environment), but focus most attention on the pillar structure of the Union and the organisation of the European Commission, i.e. on the formal structure of the EU as a global actor.⁷ Given the thematic structure of the work (with each external policy field treated in a different chapter) the question of policy coherence is primarily dealt with in relation to the individual policy fields (e.g. coherence *inside* the Common Commercial Policy). Linkages and incoherence between policy fields are not studied in greater detail.

Hazel Smith⁸ makes an even bolder claim by arguing that 1) the EU does have a foreign policy, and 2) this policy can in principle be analysed using much the same analytical tools that one would employ in analysing French or British foreign policy.⁹ Hazel Smith is trying to convince a recalcitrant audience that the EU can and should be understood as a foreign policy actor. A main objective of the research is consequently to stress the capacity of the Union to make informed and consistent foreign policy decisions. Given this agenda, the problems of policy co-ordination and policy incoherence are obviously given a less central position.¹⁰

The works by Bretherton and Vogler and Hazel Smith offer a valuable corrective to the dominant approaches to EU external policies. For these researchers (and especially Hazel Smith), the interesting question is not why co-ordination sometimes fails, but rather why it works so well most of the time. The external policies of the European Union are not always sufficiently co-ordinated with the policies of the member states. The EU policies are often short-sighted and rarely sufficiently co-ordinated internally. However, in these respects the EU does not differ significantly from any other international actor. Even the most centralised government will experience occasional problems of co-ordination and have difficulties in reconciling conflicting objectives. Again, the point is a valid one: If the sovereign member states are unable or unwilling to ensure coherence and consistency in their policies, one can hardly fault the European Union for failing to ensure coherence and consistency.

However valid it may be, this argument is of limited value in the present context. The object is not to compare incoherence or assess the absolute level of the problem of incoherence in the European Union, but rather to assess different theoretical approaches to the problem. The fact that the member states also have difficulties in ensuring policy coherence does not in itself absolve the EU. In some ways, policy incoherence at the EU level is more damaging than policy incoherence at the state level. If an individual state pursues mercantilist policies (increasing exports while limiting access to domestic markets), the effects on the world economic system will most often be negligible. If, however, the same policies are pursued by a larger block of industrialised nations, the effects are obviously all the more devastating to world trade. When the European Union fails to co-ordinate its external policies, the potential ramifications can be serious.

⁷ Bretherton & Vogler (1999): 38-41.

⁸ Smith (2002).

⁹ Smith (2002): 1.

¹⁰ The index in Bretherton & Vogler's volume includes a number of references to coherence and especially consistency. In Hazel Smith's work, neither coherence nor consistency figure in the index.

The external trade policy of the European Union, with its linkages to the economic sector policies, notably the Common Agricultural Policy (CAP), has a decidedly negative impact on the economic development of many would-be exporting countries in the developing world. Access to EU markets is restricted in exactly those sectors where the third world can compete (e.g. textiles and agriculture) and EU financed export of surplus agricultural produce is undercutting local production patterns in the developing world. The positive effects of the association and enlargement policies of the Union are often handicapped by the Union's trade policies, leaving new partners with lofty political declarations but relatively little in terms of economic substance.¹¹ Many foreign policy initiatives of the Union would often seem to be following their own logic, with little or no consideration for the Union's development policy and vice-versa. At the theoretical level, the potential synergies from greater co-ordination are readily apparent: Political conflict resolution is a precondition for economic and social development, and economic reconstruction is the 'lubricant' that can cement a brokered peace. Similarly, economic assistance is necessary to develop the export potential of developing countries, but lacking effective market access the impact of development aid will remain limited. The problem of policy incoherence in the EU is thus a legitimate cause for concern.

At state level, policy incoherence may be explained as purposive behaviour (i.e. the state applying 'double standards' to further its own ends) or as the result of e.g. bureaucratic wrangling or a breakdown of communication. However, the European Union is not a state and traditional analytical tools of political science must consequently be used with caution. Explanations of policy incoherence at state level (e.g. purposively applying 'double standards' to further identifiable interests) cannot be immediately transferred to the European level. The European Union is not like any other agent in international relations¹² and should accordingly be studied in its own right.

Different theoretical approaches will yield different explanations of policy incoherence and hence different assessments of the character of the problem and the size of the challenge. In the following, an attempt will be made to analyse policy incoherence using a number of existing theoretical approaches to European integration/European policy-making. It will be argued that while both Liberal Intergovernmentalism and theories of Multilevel Governance yield important insights, they also have significant shortcomings. This should not be taken to imply that these approaches are generally deficient, but merely to suggest that given the present agenda, they are less appropriate as analytical tools. Using theoretical insights from both research programmes, the final part of the paper will suggest some ideas for an alternative analytical approach.

¹¹ See e.g. *"EU Subsidies kill Albanian farms"* by Tim Franks, BBC News online, Tuesday 2nd September 2003, www.bbc.co.uk

¹² Bretherton & Vogler (1999): 44.

Theoretical approaches to the study of EU integration and policy-making

Liberal Intergovernmentalism

Developed over a number of years, Moravcsik's theory of Liberal Intergovernmentalism¹³ (LI) has served to focus the theoretical debate on European integration substantially.¹⁴ This following presentation only provides a cursory overview. LI basically consists of three theories, one for each of the three analytical sequences: 1) national preference formation, 2) interstate bargaining, and 3) institutional choice.¹⁵ States are modelled as rational, unitary actors seeking to maximise utility. The approach was originally designed to analyse and explain major strategic bargains amongst the key member states (i.e. the Single European Act)¹⁶, but should in principle be applicable to the analysis of EU integration and EU policy-making more generally.¹⁷

In LI, the dominant actors are the major member states and the key to understanding their strategic behaviour is the determination of their national interests (the so-called national preference formation). The determination of national preferences opens up for the second sequence of the analysis, namely the intergovernmental bargaining process. The common European institutions play a relatively minor role; the member states may agree to delegate powers to the common institutions, but the process of European integration is assumed to be a purposive rational process, where national governments remain in control.¹⁸

Following LI, an explanation of policy incoherence must be based on the interests of the member states and the intergovernmental bargaining process. Dominant coalitions of member states with convergent interests have the capacity to block policy changes they fear would harm their material interests. A coalition of member states might agree to launch a new round of trade liberalisation in the World Trade Organisation, while another coalition is working to prevent liberalisation in agricultural trade (i.e. dismantling the elements of the Common Agricultural Policy that have a distorting effect on agricultural trade). This configuration would be relatively easy to explain within the framework of LI. Member state governments that face pressure from organised lobbies with a keen interest in international trade liberalisation in both goods and services will work to achieve a relatively broad mandate for a new round of multilateral trade talks. Member state governments facing determined opposition from economic sectors that would suffer under liberalisation (agriculture, so-called "sunset industries" in textile and labour-intensive manufacturing) will work to limit the potential negative effects of trade liberalisation.

From this superficial analysis it follows that policy incoherence is a question of incompatible and entrenched national preferences. Achieving greater policy coherence would thus require a change of national preferences. The explanation of policy incoherence is thus voluntaristic/intentional, even if the overall result is unintentional.

¹³ Moravcsik (1991; 1993; 1995; 1999).

¹⁴ Tonra (2001: 27).

¹⁵ Moravcsik (1999: 18ff).

¹⁶ Moravcsik (1991).

¹⁷ Moravcsik (1995): 613 & 621 ff..

¹⁸ As emphasised by Moravcsik, "...[T]he EU is no accident." Moravcsik (1999: 626).

Rationality at the unit level does not ensure rationality at the aggregate level. The problem of policy incoherence is political, and institutional changes will consequently only have a limited effect.

This example cited above is arguably a 'most-likely case' for LI. The theory is certainly most developed in the field of international trade, where international bargaining has a direct and immediate effect on domestic agents. The explanatory mechanism of LI is relatively straightforward: Governments have a keen interest in getting re-elected, i.e. they seek to maximise the number of votes they can attract. A given external policy question has domestic economic ramifications. Organised lobby groups signal their preferences (or government anticipates their preferences), and governments choose the option that maximises the gain/minimises the loss for the domestic interest groups. In return, governments receive support. The basic incentives structure facing politicians is spelled out in the matrix below:

		BENEFITS	
		Concentrated	Diffuse
COSTS	Concentrated	Ardent support levelled by equally determined opposition. No net political gain possible and politicians will shy away.	Limited general support is overshadowed by ardent opposition from the ones who have to bear the cost. Net political loss: Inaction.
	Diffuse	Strong support from beneficiaries and only limited resistance from the diffuse cost bearers. Net political gain: Action.	Limited support and limited opposition. Indeterminate political gains/losses: no model predictions

Opening domestic markets for international competition will bring substantial benefits to society as a whole, in that stiffer competition forces companies to lower their prices while improving quality. The benefits are consequently diffuse, in that society as a whole stands to benefit. The costs, however, are highly concentrated on the business sectors that have hitherto been shielded from foreign competition. Their profit margins will be brought down and they could ultimately be forced out of the market. The benefits accruing to the average voter will hardly be sufficient motivation for the voter to start picketing in favour of trade liberalisation. His private costs (political activism in favour of trade liberalisation) would – if successful – benefit society as a whole, and in the liberal theory of political action this is not a likely scenario. For the domestic producers, however, political lobbying makes perfect sense: The producers must bear the private costs (lobbying) in order to defend their market position.¹⁹

¹⁹ This is evidently a highly simplified version of the argument. The level of organisation and concentration in the specific industries would also play an important role in their willingness to incur personal costs (cfr. the theory of collective action). However, for the present purposes, a schematic overview should suffice.

In some cases, the incentives facing politicians will consequently be relatively clear. A politician will hardly be rewarded for bringing the retail price of sugar down, but he will most certainly be punished for putting the domestic sugar industry out of business. However, problems emerge when the costs and benefits are diffuse. The vast majority of CFSP decisions will not have any significant immediate impact on societal groups, and the incentives facing politicians are consequently indeterminate. The same could be said of many decisions in the field of EU development co-operation.

Moravcsik suggests that in the absence of strong societal pressure, government preference formation will be the result of "leading politicians and partisan elites [acting] on the basis of ideological predilections".²⁰ Under one set of conditions, governments are modelled as 'weathervanes' that merely reflect the balance of societal forces.²¹ Under another set of conditions, however, they have the capacity for independent action on the basis of their ideological leanings. If the governments make decisions on political and institutional questions on the basis of their 'ideological predilections', it would make sense to assume that they are also influenced by ideologies when making commercial or socio-economic decisions. Societal influences (lobbying, voter preferences etc.) may be strong, but could nonetheless be attenuated by the ideological preferences of the national governments. This line of thinking leads to the question of the relative importance of material interests and ideas in explaining policy.²² If politicians do more than just respond to material incentives, it is necessary to amend and expand the assumptions of the theoretical framework.

The fact that LI is heavily biased towards economic issues is a serious weakness in the present context, where focus is on the linkages across policy fields.²³ As emphasised by Daniel Wincott, a key weakness of the LI approach is the fact that it relies on a rather crude theory of the state, which has been under heavy criticism for several decades.²⁴ Moravcsik has made an impressive attempt to open the 'black box' that is the state in much international relations theory, but when it comes to non-economic issues, he basically reverts to a traditional realist conception of the state and state interests (arguing that states pursue this or that policy because they believe it to be in the 'national interest').

Two other weaknesses of the LI approach should be emphasised in the present context. As the key explanatory variable is the determination of national preferences through a traditional pluralist theory of the state, the model does in fact assume a rather static character. The basic socio-economic structures of any given society evolve very gradually, making for relatively stable patterns of interest organisation and lobbying. This would

²⁰ Moravcsik (1993: 495).

²¹ Cfr. Dunleavy & O'Leary (1992): 43.

²² See Yee (1996) for an overview.

²³ Moravcsik is aware of the limitations of LI, including the fact that the model is underspecified when it comes to non-economic issues. LI is deliberately kept relatively simple in order to strengthen its explanatory coverage. Moravcsik does not see LI as a specific theory of European Integration, but rather as a more general contribution to the Neo-Liberal theory of international relations. Whether the theory is 'realistic' or able to capture all the details of European Integration is a relatively minor concern for Moravcsik, who prefers to opt for parsimony and general relevance.

²⁴ Wincott (1995). See also Dunleavy & O'Leary (1992).

explain the fact that France and the Mediterranean countries been a relatively stable coalition in defence of the Common Agricultural Policy. It would also explain why key exporters of industrial goods such as (West) Germany have been staunch supporters of the Internal Market. With national preferences being relatively stable, major changes in the direction of EU policies have to be explained through the second analytical sequence, namely the interstate bargaining process. The LI theory of intergovernmental negotiation is kept relatively simple and specified primarily in terms of asymmetric interdependence.²⁵ It is inward looking (focussed on relations amongst EU member states) and defined in terms of power. The outside world, including relations with third parties and developments in international policy frameworks like the WTO, the Bretton Woods institutions and the United Nations, are not included in the theoretical framework. The pressure for dismantling agricultural protectionism and the increasing pressure on industrialised nations to strengthen the position of developing countries in the international trade system (i.e. the *Doha Development Agenda*) are consequently not factored in as relevant dynamics in the model. Yet the fact that the agricultural lobby in the EU is forced into an increasingly defensive position seems difficult to account for without including developments in the international policy frameworks. The policy paradigms that inform international co-operation are significant in that they influence the negotiating table, forcing some countries to defend positions that are branded as undesirable by the international community (e.g. protectionism), while strengthening the bargaining leverage of other (e.g. proponents of free trade). Ideas and policy frameworks arguably have a larger role to play in both domestic politics (preference formation) and international negotiations (intergovernmental bargaining).

A second limitation is the fact that the theory is deliberately weak on institutions.²⁶ Moravcsik does not preclude supranational actors, but they are only included in the last sequence of the analysis (i.e. institutional choice). If governments are able to reach agreement in the second phase of the analysis (interstate bargaining), authority may subsequently be delegated to a supranational institution.²⁷ For the sake of analytical clarity, this distinction makes good sense. However, LI fails to specify the difference between the first act of delegation and the subsequent rounds of policy-making, which will include not only the governments, but also the supranational actor to whom authority was originally delegated. Governments will arguably retain the upper hand in subsequent rounds of negotiations, but modelling institutions to whom authority has been delegated as obedient 'agents' of the 'principals' seems unnecessarily simplistic. It ensures the parsimony of the theoretical approach, but it simultaneously excludes an interesting and relevant research focus, not least in the present context, where long-standing Community policies are at play (agriculture, commercial policy etc.).

In summary, the LI approach offers a number of extremely valuable insights in terms of explaining policy incoherence. Where models that posit the EU as a relatively coherent foreign policy actor will explain policy incoherence with reference to the fact that any

²⁵ Skjalm (1996): 30-31.

²⁶ See the debate between Moravcsik (1995) and Wincott (1995).

²⁷ See Moravcsik (1999).

other actor in the system exhibits the same shortcomings (e.g. a state applying double standards etc.), LI emphasises the fact that the European Union is in fact a negotiated actor. Different policy areas are dominated by different member state coalitions and given the intergovernmental character of the negotiation system, it is extremely difficult to achieve coherent outcomes that satisfy the national preferences of the different member states. Policy linkages and package deals may go some way, but given fundamentally incompatible national preferences and the omnipresent veto-threat, the EU remains locked in a position that from the outside appears incoherent. Policy incoherence is the result of unintended consequences, i.e. a number of rational actors pursuing the well-defined national interests. Changes in the system, e.g. successful attempts to increase policy coherence, can happen in one of two ways: 1) Changes in the national preferences of the member states (policy convergence) or 2) the negotiation of intergovernmental bargains that leaves everyone satisfied (i.e. bribes, package deals). Institutional engineering will amount to little, if it is not underpinned by the above changes.

Multilevel Governance

Theories of Multilevel governance arguably represent the most dominant alternative research programme in the study of European Integration. This approach is less unified than LI, but shares a number of relatively common characteristics, often defined in opposition to LI.²⁸

In the present context, the most important notion is the idea of Multilevel Governance (MLG) itself. This concept signals a general shift of focus from *Government* to *Governance*.²⁹ The EU is almost per definition a **multilevel governance system** in that there is no overarching sovereign institution.³⁰ The EU could arguably be described as number of sector-specific governance systems loosely bound by a more general governance system. In some policy fields, the governance system is regulated by rules that clearly define the authoritative agents and their relationship. Other fields, however, include agents that are not directly related to or under the authority of the Member State governments.³¹ In these fields, governance systems are more inclusive and the institutional decision-making procedures are more complex, making state-centric approaches less attractive. Sub-national, trans-national and supranational actors assume a degree of autonomy and actor capacity that is completely ruled out in LI. *Supranational entrepreneurs* can have a significant and independent impact on the policies of the Union.³² In order to analyse the interaction between external policies, it is consequently necessary to work with an analytical framework that can encompass both the different sector dynamics and the overall governance system (including both member state governments and non-state actors such as supranational entrepreneurs).

²⁸ See Wincott (1995).

²⁹ See Hansen & Sørensen (2003) for the general argument and George & Bache (2001) for a presentation of the argument in the EU context. See also Bulmer (1998); Hix (1998).

³⁰ See e.g. Marks, Hooghe & Blank (1996).

³¹ Bretherton and Vogler (1999), p. 2. Compare also the characteristic suggested by Keohane & Hoffmann (1991: 15): "The Community political system can best be visualised as an elaborate set of networks, closely linked in some ways, particularly decomposed in others, whose results depend on the political style in ascendance at the moment".

³² Wincott (1995); Sørensen (2002).

Theories working within the research programme are inspired by The New Institutionalism and the central notion that "institutions matter".³³ How they matter and how significant their impact is varies somewhat between the researchers working in this field, but the notion of *Path Dependency* is generally accepted as key explanatory variable. Policies that are institutionalised develop over time and become both constraining and enabling for the actors working within the specific policy field. The national preferences of governments can not be analysed through a snap-shot picture of current negotiation positions. Past policies and bargains are enshrined in the institutions, e.g. the *Acquis Politique et Communautaire*, and these effectively shape the political decision-making process, excluding some alternatives while favouring others.

Working within this analytical framework, policy incoherence is arguably a consequence of the fact that the EU is a governance system without an overarching political authority. Without a central co-ordinating body, strong political leadership, or a strong common foreign policy strategy, policy coherence is extremely difficult to achieve.³⁴ The different external policies of the EU are developed and implemented in a number of different institutional settings. The actors, the decision-making rules, and the lines of conflict differ markedly. The different external policies of the Union do not follow a common logic, but are better seen as the product of different decision-making processes made in different institutional contexts. In some policy fields, the member states are the dominant actors, and the institutional context is of lesser importance. In the CFSP, supranational actors play a limited role in terms of mediation and facilitation. The *acquis politique* provides the contours of a 'European foreign policy tradition', but the dynamics of the process are intergovernmental. In other areas, however, the supranational institutions and the institutional context play a much more influential role. In trade policy, for example, the momentum is often kept afloat by DG Trade and the dynamics of international trade negotiations. The member state trade representatives are of a different nature than the diplomats at work in the CFSP. The common European institutions embody nearly 40 years of practice in the Common Commercial Policy and the legacy of the past is an important factor in the practice of the present.

In this framework, ensuring greater coherence is very much a question of institutional design. By strengthening the central co-ordinating bodies and creating 'clearing houses' such as the Special Representative for the CFSP and the proposed EU President and EU Foreign Minister, it should be possible to strengthen cross-policy co-ordination. Institutional engineering is no guarantee for greater coherence, however. Institutions cannot be completely controlled and there is a strong element of contingency in this approach. Actors may have a good idea of what they want to achieve and how to go about it, but the process of European Integration is not a completely controlled, rational process. And regardless of the institutional changes that are implemented, change will be slow and gradual, the past offering a fairly reliable guide of things to come.

³³ March & Olsen (1989; 1995).

³⁴ Cfr. Van den Hoven (2002): 3.

With its focus on 'negotiated anarchy', disjointed policy networks and imperfect information, the MLG approach offers a plausible explanation of policy incoherence. The approach is not really an alternative to LI, in that no one would argue that the member states and the process of intergovernmental bargaining are insignificant. However, it does provide important insights that are neglected by the LI approach. The idea that supranational actors can influence the policy process makes good sense, not least in the field of agriculture and international trade. The Common Agricultural Policy is the backbone of the European Union. It represents nearly 50% of the budget and is the oldest truly common European policy. To assume that DG Agriculture will be an impartial bystander in discussions over the future of the CAP is an unnecessary and unjustified limitation on intergovernmental approaches such as LI. Moravcsik skews the table in favour of his own theoretical approach when he requires his critics to demonstrate that supranational entrepreneurs are in fact able to disregard the member states and formulate their own policies.³⁵ By framing the research agenda in this manner, the question is obviously moot. The pertinent question is rather how the member states interact with the supranational actors in different policy coalitions.³⁶ The DG for External Trade is essentially a multilateral negotiation team.³⁷ It only functions at full capacity when the EU is engaged in multilateral trade negotiations. It consequently has a keen interest in promoting multilateral negotiations and arguably played a key part in getting the WTO Doha Round of the ground. It could not have done this with the support of Great Britain, Sweden and other countries, but it is interesting to note that after the Seattle disaster in 1999, there was relatively little domestic pressure in the EU countries in favour of a new round.³⁸

Still, as presented above, MLG approaches have a number of limitations, the most important being the obvious fact that policy incoherence is the exception and not the rule. The European Union is fact capable of some degree of strategic action, as emphasised by Hazel Smith. DG Agriculture is responsible for the multilateral trade negotiations on trade in agriculture, while DG External Trade is responsible for negotiations on trade in services and industrial goods. Different institutional interests are at play, but the overall negotiation stance is co-ordinated and kept under the tight scrutiny of Committee 133 (with trade representatives of the member states). When push comes to shove, the EU is more often than not capable of prioritising its interests and hammering out a relatively coherent policy line. This is the central point emphasised by both Bretherton and Vogler and Hazel Smith above. The Multilevel Governance approach would lead one to expect disjointed policy processes and incoherent policies that are firmly entrenched in different institutional patterns. How co-ordination emerges and how the EU occasionally manages to break long standing policy controversies (e.g. on trade and development or trade and the environment) is less evident.

³⁵ "Only where the actions of supranational leaders systematically bias outcomes away from the long-term self-interests of the Member States can we speak of serious challenge to an intergovernmentalist view". Moravcsik (1993): 514.

³⁶ Sørensen (2002).

³⁷ Van den Hoven (2002): 3.

³⁸ Van den Hoven (2002).

Competing explanations: The over-determination of policy incoherence

Judging from the above cursory analysis of theoretical approaches, there are several competing explanations for policy incoherence in the external policies of the European Union. If the EU is analysed as single foreign policy actor, policy incoherence can be explained as the consequence of inherent policy dilemmas (i.e. balancing economic growth with the need to protect the environment; engaging in critical political dialogues with major trading partners). Ensuring policy coherence in such cases requires governments to make difficult decisions that will invariably leave one party dissatisfied. It can also be explained as an intentional policy: Like so many other states, the EU says one thing and does another.

If the EU is analysed as an intergovernmental negotiation system, on the other hand, policy incoherence can be explained as the unintended outcome of a number of rational policy decisions made by the member states. The individual states have no preferences for policy incoherence, but the end result of 15 sovereign member states engaging in tough intergovernmental negotiations is a number of dominant coalitions that occasionally balance each other out.

Taking a Multilevel Governance approach, policy incoherence can be explained by the fact that there is no overarching political authority. Various actors with specific institutional interests operating from different levels of governance develop into quasi-autonomous policy communities that operate in relative isolation from each other. Different external policies are formulated in different institutional contexts, and this weakens the overall coherence of the policies.

There are thus plenty of explanations as to why the external policies of the EU are occasionally in conflict. Different theoretical approaches yield different explanations, which in turn leads to very different assessments as to the character of the challenge facing the Union. In some assessments, it is a matter of political will. In others, it is a consequence of the organisation of the Union (either through the intergovernmental veto or through the institutional fragmentation of the Union into policy communities).

All three approaches yield significant insights, and all three approaches would be able to offer evidence that would appear to corroborate their logic. However, the approaches presented above also have significant shortcomings. The most important problem is arguably their relatively static character, which makes it difficult to explain policy change. If the external policies of the Union are defined by the national preference formations of the major member states, and these preferences are defined by the socio-economic structures of the domestic societies, the Union would be locked in a relatively stable policy configuration. Similarly, if our expectations of future EU policies are based on whatever happened yesterday, the Union would be largely immobile. And yet the Union would seem to be moving forward on the issue of coherence, trying to bring the different sector policies into tune. In late 2002, the General Affairs Council agreed on a new strategy to link trade and development³⁹, and the draft security strategy of the Union places a strong

³⁹ See Council Conclusion on Trade and Development, 2464th Council Meeting, Brussels 19th November 2002.

emphasis on the need to think EU policies into a global strategic context.⁴⁰ The coherence-debate shows that the EU is becoming increasingly aware of the problem and increasingly resolved to address the issue. The EU is slowly beginning to think of its external policies in a more strategic framework, taking into consideration the direct and indirect consequences of new external policy initiatives. This aspect of changing policy frames, of ideas and experience actually influencing policy (social learning)⁴¹ is missing in the above approaches, and could possibly shed additional light on the issue of policy incoherence. In the following, some ideas on how to include these factors in the analysis will be suggested.

Policy paradigms

The Multilevel Governance approach is an important corrective to the strict intergovernmental character of Moravcsik's LI. It defeats the ideal of parsimony, but this is of less importance in the present context, where focus is on developing explanations rather than general theory. The above discussion has served to highlight two central points: 1) Different policy areas have specific characteristics that lead to different policy-making processes. Some issue areas are characterised by tight government control and narrow dominant coalitions, while other are more inclusive, involving both supranational and non-governmental actors. 2) Both material interests and ideational factors are relevant in determining national preference formation. Ideas do not just shape preferences in the absence of clear material interests. Ideas and policy paradigms are always at play, regardless of the issue area in question.⁴²

The European Union can be viewed as a multilevel governance system comprising a number of different policy areas, which have their own internal dynamics. The politics of decision-making in international trade differs from the politics of decision-making in the CFSP, which again substantially differs from the dynamics characterising policy-making in EU development assistance. Different actors are at play, the balance of power between the actors varies from one issue-area to another, and different material interests and policy paradigms are relevant.

The most important concept in this alternative approach is the notion that policy paradigms matter.⁴³ Ideas have an influence on policy, not just in the absence of socio-economic determinants of state preferences, but in any process of preference formation and policy-making. The national preferences of the Member States are influenced by competing policy paradigms, just as the different external policies of the Union reflect

⁴⁰ See the draft Security Concept presented by the EU High Representative, Javier Solana, at the European Council in Thessaloniki on 20th June 2003, *"A Secure Europe in a Better World"*.

⁴¹ Hall (1993).

⁴² Hayer (1997); Hall (1993). At the most basic level, the definition of interests is dependent on some conceptual idea of what is desirable and what is not. The trade interests of a given country depend in part on what type economic theory the policy makers are informed by. Likewise, different countries pursue different security strategies in order to achieve national security. Many differences can be accounted for in terms of geography, resource endowments etc., but history and especially the current political interpretation of history is important in understanding differences in strategic culture.

⁴³ See hall (1993). In the following, the concept of policy paradigms is used interchangeably with concepts like policy frames, ideas, discourses, belief frames.

different policy paradigms. These paradigms are not just a reflection of current thinking in the dominant member states, but complex systems of ideas that have developed over the years, under the influence of both national and global policy debates. The so-called "Washington consensus" on international free trade is a case in point, as is the "trade-not-aid" logic in recent development policy, and the "terrorism-WMD-failed states-nexus"⁴⁴ in current Western security thinking. Policy paradigms influence the realm of policy making in that they define the way things should be.⁴⁵

In the Common Commercial Policy, there are obviously substantial differences between the member states on trade issues, reflecting the important differences in their economic infrastructure. However, the struggle between different material interests are compounded by differences in the policy paradigms informing the actors, from the mainstream "Washington Consensus"-inspired free-trade ideology expounded by especially the Northern member states (United Kingdom, Sweden, Denmark, Holland), to the "Embedded Liberalism" advocated most forcefully by France (i.e. liberalism with a human face).⁴⁶

Externally, the EU arguably represents a unified alternative to the Washington Consensus. The Union certainly places much greater emphasis on the regulatory framework of the international trade system (e.g. environmental protection, labour rights etc.). The recent disputes over the use of Genetically Modified Organisms, where the EU weighs the precautionary principle high, is instructive in this respect. So is the whole discussion on *multifunctionality*, which has the EU pitted against the United States on the question of whether agriculture is an economic sector like any other, or whether it has 'special' functions in society that justify it being shielded from the effects of fierce international competition.

However, the apparent unity of the Union vis-à-vis the United States in the WTO conceals important differences of policy between the EU member states. At the end of the day, one policy line is carried forward by the EU's international interlocutor, but more often than not, the agreed line is a compromise between divergent national interests and ideas. The present Trade Commissioner, Pascal Lamy, arguably personifies the internal controversy: A staunch supporter of the international free-trade regime, he is also a Frenchman, member of the *Parti Socialiste*, and former Chief of Cabinet under the Delors Presidency.⁴⁷ The European Union does not have one set of neatly ordered and prioritised trade interests, nor does it have a uniform political vision, strategy or ideology on trade. Whatever the European Union does or says in the international trade regime is the result of intense bargaining between different material interests and different policy ideas.

⁴⁴ WMD = Weapons of Mass Destruction.

⁴⁵ Hall (1993). This approach has been most developed in the study of political economy, where there is a relatively clear connection between formal economic theory and policy decisions, but the approach obviously has wider applicability. The different development co-operation frameworks (Lomé and Cotonou) reflect different ideas as how best to promote economic development in the Third World.

⁴⁶ Van den Hoven (2002).

⁴⁷ *The Economist*, 'Charlemagne: Pascal Lamy' July 5th, 2001.

Similarly, the creation of a European development policy was originally linked to the colonial past of some of the founding members, most notably France.⁴⁸ By creating a formal relationship between the former colonies and the European Community, France could spread the burden of safeguarding 'special ties' with former colonies and associated territories. The French policy of linking Europe and Africa ("*Eurafrica*") through a system of formal association was criticised by the Dutch and West German governments, who would have preferred a more global approach to development co-operation between the Northern and Southern hemispheres. Nevertheless, "Associationism" became the official policy and was only gradually challenged through successive enlargements of the European Community, bringing in new member states with other geographical and historical priorities.⁴⁹

To this day, EU Development assistance is still heavily influenced by the historical legacy of the Yaoundé and Lomé Conventions, and the privileged position of the African, Caribbean, and Pacific (ACP) states. However, the 1990'es witnessed an interesting change of policy in the EU development regime in connection with the negotiation of the Cotonou Agreement. Following the end of the Cold War, the development policy of the Union has become increasingly politicised, in that preferential trade and development agreements that were hitherto unconditional have been subject to increasing political conditionalities.⁵⁰

The negotiations over the Cotonou Agreement (which replaced the Lomé Conventions) were marked by intense political bargaining between different political visions for the future of European development co-operation. At the most fundamental level was the question of geographical scope, with some member states advocating a continuation of the existing regime, while others were trying to streamline a general poverty focus in the policy, giving priority to the least developed countries, regardless of whether they were part of the ACP group or not.

The discussions on the future of EU Development Policy took place against a background of generally declining aid budgets. The 1995 and 2000 replenishments of the EDF had barely compensated for inflation, effectively reducing aid allocations in real terms. Again, France had been lobbying intensively to secure larger allocations, while especially Germany seemed more inclined to redirect financial assistance from South to East (i.e. to the aspiring candidate countries in Central and Eastern Europe).

The changes currently taking place in European Development Policy thus reflect intense national bargaining between economic interests (i.e. distributing the costs of development aid) and different visions of the European Union's relationship to the Third World (i.e. what type of aid and for what purpose?). The political debate on policy coherence has had a very tangible impact on the discussion, in that development aid flows increasingly follow

⁴⁸ Bretherton & Vogler (1999:112).

⁴⁹ Bretherton & Vogler (1999).

⁵⁰ See Rye Olsen (2002). These developments are not confined to Europe, but reflect a general trend in International Development Co-operation.

the security concerns of key member states.⁵¹ While net transfers to Sub-saharan Africa are on the decline, transfers to the Mediterranean region, the Balkans, and Eastern Europe are on the increase. Similarly, political conditionalities concerning, *inter alia*, repatriation of asylum seekers have been introduced in partnership agreements.⁵² On a very broad level, the policy of the past ("associationism" and the privileged position of the ACP countries) is competing with a more universal approach centred on poverty reduction (which is arguably more in line with general development policy trends) and a more political agenda, which seeks to make development policy a direct instrument of EU foreign affairs (e.g. directing aid flows to the near abroad and using aid as part of a "carrot-and-stick" strategy).

Different policy fields are thus dominated by transient compromises between the material interests of the member states and competing policy paradigms. Some fields, like trade, have a relatively strong/dominant policy paradigm (liberalism), with policy discussions taking place within the same parameters (a debate between different versions of liberalism). Other policy fields, like development, are experiencing a period of turbulent upheaval, with no single dominant paradigm but several competing visions for the future of EU development co-operation.

Following this approach, the EU emerges as a negotiated foreign policy actor, whose external policies rest on contingent coalitions of material interests and policy ideas, as sponsored by both state and non-state actors. Policy incoherence emerges as the unintended result of multiple actors pursuing their own interests and ideas in governance system characterised by several competing centres of political leadership. However, the overall governance system is simultaneously encouraging greater policy coherence in an effort to overcome the negative consequences of policy fragmentation. EU actors continuously engage in political efforts to strengthen the overall co-ordination of EU sector policies and thus demonstrate a certain capacity for collective learning.

The approach suggested above makes for a relatively complicated analysis in that several explanatory factors have to be taken into account. The causes of policy incoherence are varied and contingent, and the analysis is consequently more open-ended. The present incoherence of certain external policies is not a necessary reflection of irreconcilable differences or the necessary result of the present constitution of the Union. There is a larger element of contingency and hence a larger room for change based on collective social learning. The external policies of the Union are a product of the EU as a specific type of polity, but the external policies and their consequences may in turn feed-back on the polity through the process of social learning.

⁵¹ Rye Olsen (2002).

⁵² Rye Olsen (2002).

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