FOREIGN ECONOMIC POLICY AND THE EU’S ROLE IN THE GLOBAL POLITICAL ECONOMY

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FIRST DRAFT: NOT FOR CITATION OR QUOTATION WITHOUT THE PERMISSION OF THE AUTHOR
Foreign Economic Policy and the European Union’s Role in the Global Political Economy

Michael Smith

Abstract

This paper aims to bring together two bodies of conceptual discussion, those on foreign economic policy and on role theory and its relationship to foreign policies, and then apply them to the position and activities of the European Union in the global political economy. It draws heavily at this stage on previous work by the author (Smith 2004) and on ongoing work by him in conjunction with Ole Elgström (Elgström and Smith 2005), and is a basis for development rather than a definitive paper. The paper deals first with ideas about foreign economic policy (FEP) and its place in the global political economy (GPE), emphasising a materialist focus on ‘state economic functions’. It then explores the ways in which ideas about roles and role conceptions can add a non-materialist dimension to our understanding of FEP, and identifies a number of key tensions in the conception and conduct of policy that can provide an avenue for research. The final part of the paper explores the ways in which these general themes can be applied to the FEP of the European Union.

Introduction

The evolution of European foreign policy is often - and understandably - defined in terms of security and of 'high politics', reflecting the assumption that what matters in processes of international change are shifts in the balance of politico-military power, the alignments and realignments that may occur as the result of such shifts and the new constellation of political and military forces that emerges (Laffan, O'Donnell and Smith 2000: chapter 3). This gives rise to continuing debates about the extent to which the EU has generated a ‘real’ foreign policy and especially whether the growth of European Security and Defence Policy has given the EU new reserves of ‘hard power’ to add to its diplomatic activities (White 2001; Smith M. 2003, 2004; Hill and Smith 2005 forthcoming). This in turn links to a broader comparative debate, in which the reconstruction of foreign policies in the 'new Europe' can be seen as a set of responses to the shifting military-political substructure, reflecting the seismic changes in the foundations of national and international action (Smith M. 1994, Keohane and Hoffmann 1993, Jørgensen 2004).

The argument in this paper is couched in rather different terms, starting from the assumption that foreign economic policy - and thus the impact of restructuring in the European and global political economies - is and ought to be a central focus of
analysis. It takes the position that a key conceptual problem with foreign economic (and much of foreign) policy is its problematic relationship to statehood, a relationship which is given increased significance in the global political economy (GPE) by a number of features: the simultaneous impacts of regionalisation (including especially the growth and consolidation of the European Union) and globalisation, the spread of a range of transnational networks and institutional contexts, and the persistence of the state-based international political economy. These features mean that it is possible in principle to identify (at least) three GPEs: First, the GPE of national political economies and the boundaries between them; second, the GPE of layered institutions and the linkages between them; third, the GPE of networks and the flows within and between them (see Smith M. 2000, 2004 for a similar conceptualisation applied to European order). At the same time, there are several if not many EU’s: Fortress Europe, Superpower Europe, Multilateral Europe, Inter-Regional Europe and others (see for example Smith and Woolcock 1999; Smith M. 2001).

By unpicking these relationships, we can hope to understand major elements in the dynamics of the GPE, in particular the ways in which it shapes or is shaped by FEP, and even more specifically, the ways in which the competing images of the EU’s FEP might be formed and pursued. The paper thus goes on to argue that the empirical implications of these analytical moves are significant not only to our understanding of the EU’s FEP but also to the framing of foreign economic policy in an era of globalisation. In a way, the paper thus follows directly (but at a distance) some of the arguments raised by other analysts in the early 1990s (Tooze 1994, Junne 1994), but with the advantage of another ten years' experience of the evolving GPE (see for example Stubbs and Underhill 2005 forthcoming, Hocking and McGuire 2004).

The paper represents a sketch of a number of dimensions and axes that are significant to the analysis of foreign economic policy – and the EU’s FEP - in the GPE. It is not designed to put forward a definitive argument but rather to identify the scope and implications of the forces affecting foreign economic policy and some of the empirical implications of the broadly changing picture. In doing this, it draws upon a range of approaches to FEP; its analytical perspective is eclectic, but with a leaning towards the form of 'reflective institutionalism' which has been developed by a number of analysts (Keohane 1989; Smith, M. 1996, 2004; see also Hyde-Price 2004). 'Taking institutions seriously', relating them to the performance of significant
international roles and functions and thus attempting to combine institutional and ideational approaches to FEP generates a series of central insights and subsequent questions for research in the context of the EU’s FEP and the GPE. The paper pursues this by attempting to combine two core elements: first, the notion of state economic functions as expressed in FEP, and second, ideas of role and identity.

The first part of the paper reviews a range of ideas about foreign economic policy, with particular attention to the relationship between the statist assumptions of the foreign economic policy literature and the growth of interdependence and transnational economic processes, and proposes an interpretation of foreign economic policy centred on the performance of state economic functions by governing authorities in the global political economy. The second part of the paper shifts the focus to the relationship between role theory and foreign economic policy. It is argued that role theoretical approaches provide a means of extending the analysis, by drawing attention to the self-conceptions and understandings that underpin the approach by governing authorities to the global political economy. In other words, foreign economic policy in the contemporary global political economy can be analysed through the combination of attention to state economic functions and the role conceptions of governing authorities, which find expression in a wide range of functional and institutional domains. The third part of the paper applies this framework to the evolution and characteristics of the European Union’s foreign economic policy, arguing that the EU possesses a functioning and increasingly effective foreign economic policy, based on the power to participate in a range of global economic processes, to negotiate significant agreements with a range of partners, and to contribute to the governance of the GPE both in a material and in a normative sense, but that there are important limitations to the range of this policy arising from (on the one hand) the tensions between material and normative elements of FEP and (on the other) its uncomfortable intersection with politicised and securitised relationships or policy issues.

**Conceptualising Foreign Economic Policy**

For the purposes of this paper, I take foreign economic policy to consist of the performance of state functions in respect of external economic relations, through attempts by the relevant actors to design, manage and control the political-economic environment. Both elements of this definition are significant. In the first place, we
need to explore the notion of 'state functions in respect of external economic relations'. Analysis of this problem has some venerable antecedents among those who have tried to explore the relationship between states and markets and states and the forces of capitalist accumulation. On the one hand, the line of argument identified with Susan Strange and others focuses on the idea that 'the competition between states is no longer for territory but for shares in the world market for goods and services' (Strange 2000: 83). If this is the case, then FEP can in turn be defined as the services provided by political authorities in the furtherance of this competition - as Strange and others have argued, in complex bargaining and institutional relationships involving states, international organisations, firms and other 'private' agents. This does not rule out the more traditional focus of foreign(economic) policy on the pursuit of political ends through the mobilisation of economic means, but it does argue for the dominance of these new modes of interaction between political authorities, markets and private agents. A second line of argument has been advanced by a number of Marxist analysts, who have focused on the ways in which political and economic authorities have operated to 'make the world safe for capital'. For example, Robin Murray (1971; see also Junne 1994, Robinson 2002) put forward a powerful case for the ways in which state authorities can provide 'state economic functions' (in Murray’s words) in respect of the needs and activities of big capital. Broadly in line with the arguments made by Murray and others, I would propose that FEP is to be seen as the pursuit of state functions in the external economic domain. In this context, I would identify state economic functions as the following (loosely based on those originally proposed by Murray):

- **Provision of regulation and safeguarding of property rights:** the ways in which state authorities broadly defined work to maintain or develop stable institutional and legal frameworks based on the identification and defence of ownership, and the negotiation of appropriate international agreements.

- **Promotion of economic welfare:** the ways in which state authorities work to maximise economic welfare for their citizens and their corporate clients, by managing the macro-economic framework both domestically and internationally. Domestically this can be achieved through budgetary and other instruments; internationally it depends far more on negotiation and policy co-ordination.
• **Provision of competitive advantage**: the creation of institutional and policy frameworks that structure economic space and activity in the interests of national or regional economic agents, enabling them to maximise efficiency and to defend themselves against external challenge. Provision of an educational and technological infrastructure aimed at shaping this competitive advantage.

• **Contributing to collective security and autonomy**: provision of public order broadly defined both domestically and externally, both through national or regional agencies and at the global level. Enhancement of the freedom of manoeuvre of national or regional economic agents, and recognition of challenges to this.

As noted above, Murray was making his argument in terms of the ways in which state functions encouraged and defended the concentration of capital, and others have since him identified the role of state authorities in terms of service to free markets and capitalist accumulation. One does not, however, have to be a Marxist to understand the crucial importance of the performance - or non-performance - of these functions in the era of globalisation. Indeed, for many of the new state actors that emerged onto the European and global stage during the 1990s, their claims to international efficacy have been based precisely on their capacity to fulfil these functions, in many cases more than on the performance of 'hard security' functions in the political-military part of the spectrum; at the same time, the intensification of globalisation processes with attendant issues of inequality, exploitation and loss of national control over economic levers has created a severe dilemma for state authorities whose authority is not fully consolidated.

In the 21st century, it is also clear that the state functions outlined by Murray in the 1970s may take very different forms, and that the issues about freedom of movement and autonomy for capital will have a different expression from that implied in the classical Marxist formulation; indeed, that is one of the points made so consistently and effectively by Susan Strange herself (see also Robinson 2002). In the context of this paper, the state economic functions outlined above do provide us with a set of ways in which to evaluate the evolution of the FEP, by generating questions about the channels through which and the effectiveness with which they are provided by a variety of actors. Crucially, they also provide us with a conceptualisation of FEP
which is not simply in terms of national state authorities: the functions can in
principle be performed by a variety of public - or private - authorities. Analytically,
therefore, they seem to provide a good starting point for an examination of the EU’s
FEP.

The concept of state economic functions also helps us to think about the goals
and the targets towards which FEP may be directed; in other words, about the issues
of 'design, management and control' which form the second part of the basic
definition used here. Each of the functions identified above implies a set of foreign
economic policy goals, which are likely to engage the commitment of relevant actors
and authorities and thus likely in turn to affect the overall climate of the global
political economy. Thus, the provision of regulation and safeguarding of property
rights implies FEP actions that are designed to enhance the achievement of stable
institutional and regulatory frameworks; the promotion of economic welfare implies
the attempt to promote the growth and the distribution of resources; the provision of
competitive advantage entails the management of relations with competitor nations or
regions, often mediated by global institutions; and the pursuit of collective security
and autonomy leads fairly directly to the attempt to construct institutions and practices
designed to promote collective goods but also to maximise individual autonomy. The
potential tensions within and between the four state economic functions – not to
mention the unevenness and inequality generated by their association with
globalisation - should be evident even in this brief discussion. How are we to make
sense of them in respect of FEP?

Here we can make use of another venerable conceptualisation, the distinction
between 'possession goals' and 'milieu goals' (Wolfers 1962): the former are dedicated
to the maximisation of the agent's welfare and the protection of their economic assets,
the latter to the promotion of external conditions in which these possession goals can
best be pursued. Clearly, it is impossible for many purposes these days to make the
distinction in a cast iron way: the linkages between possession and milieu goals are as
important as the distinctions between them. But in the context of the contemporary
GPE, there is conceptual purchase to be gained through the initial analytical
separation of types of political-economic objectives. Figure 1 below relates the state
economic functions identified earlier to the concepts of 'possession' and 'milieu' goals,
in general terms.
### Figure 1: Combination of State Economic Functions with Possession and Milieu Goals in the Pursuit of Foreign Economic Policy

It is readily apparent from Figure 1 that there can be conflicts within the range of state economic functions, and also that there can be conflicts between those functions as expressed in 'possession' and 'milieu' goals, at least in the short to medium term. Whilst over the very long term it might be possible to foresee convergence and the attainment of balance between the several areas involved, it is clear that in the short to medium term FEP has to deal with a number of important potential tensions. It is from these, of course, that the really interesting questions about the goals of FEP will arise. For example, what happens or is likely to happen when the 'possession goals' of economic stability and welfare come up against the broader commitment to regional or global stability and welfare, which is itself likely to be linked either tacitly or actively with broader security concerns? What happens or is likely to happen when the 'possession goal' of societal security, expressed in FEP choices, comes up against the 'milieu goal' of ensuring fair treatment of those engaged in migration (planned or unplanned) within the GPE? One issue that clearly emerges here is that of ‘ politicisation’ and the ways in which FEP needs to combine both a technocratic

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attention to regulation or other matters and a political attention to the demands of citizens, organised groups and global partners or rivals (Smith 1998).

This latter point reminds us that we need to focus not only on targets defined as goals but also on the targets of FEP defined in terms of other actors or structures. Precisely who or what is intended to be influenced by the strategies expressed through FEP? This is not something that can be taken as read in the context of the global political economy. Two distinctions are especially important to the analysis here. First, there is the effect of what might be described as geo-economic distance. Whether we are dealing with a GPE of boundaries, layers or networks (Smith M. 2000, 2004), FEP has to be aware of and responsive to the demands of those who are near neighbours, part of the near abroad or part of the broader regional or global environment. Given that one characteristic of the GPE is the shifting mosaic of relationships and institutions, it is clear that for any FEP 'target selection' is a key area of difficulty. If an inappropriate target is selected, or if inappropriate means are used in dealing with a target, then the costs, both political and economic, might be substantial.

The second distinction that is crucial to the analysis of FEP and its relationship to the GPE is that between public and private agents. When action is taken through FEP, in pursuit of state economic functions and with due attention to 'possession' and 'milieu' goals, whose behaviour is it intended to modify? The spectrum of potential targets in both the public 'governmental' sphere and the private sphere is to say the least bewildering, raising the prospect of unintended effects and outcomes however well the actions are defined and controlled. This is particularly the case if one explores the ways in which layers and networks condition interactions within the GPE: what works in terms of public-private interactions at one level may not work at another, whilst the existence of transnational networks composed both of public and of private agents creates the real possibility of conflicts between understandings of policy issues and responses. It also highlights the need for attention to what might be termed 'instrument design' on the part of those conducting FEP. Economic instruments possessed and deployed by political and economic authorities may produce the intended outcomes in only a minority of policy contexts, given the rapid change and coexisting trajectories of economic activity in a globalising world.
As the result of the argument so far, we now have the beginnings of a conceptual toolkit with which to address the nature of FEP and its relationship to the GPE. The main components are:

- Recognition that the impact of a range of environmental forces has thoroughly changed the environment for FEP making and implementation.
- Identification of three 'worlds' (boundaries, layers and networks) for the formation and conduct of FEP and in particular for the conduct of negotiations by FEP agents.
- Identification of a range of state economic functions that constitute the core of FEP when pursued in the external domain.
- Recognition of the distinctions between and the linkages between 'possession' and 'milieu' goals in the pursuit of FEP, and of the significance of these distinctions and linkages in a changing GPE.
- Further recognition of the importance of 'target selection' and 'instrument design' if FEP is intended to be informed by strategic considerations, but also of the difficulty of 'target identification' and 'instrument design' in the contemporary GPE and the potential for unintended outcomes.

This argument is essentially materialist and rationalist, in the sense that it assumes the existence of objective state economic functions that are likely to be pursued by a wide range of authorities within the GPE, and that it assumes a ‘logic of consequences’ in the evaluation of policy actions and outcomes. It is also to a significant degree institutionalist: it assumes that the ways in which political and economic institutions are set up to pursue state economic functions matters, and that the ways in which actor-level institutions articulate with and interact with the broader institutions of the GPE will condition outcomes. The aim of the next part of the paper is to introduce a more normative and reflectivist approach, by focusing on the ways in which FEP can be related to issues of roles and identity, and on the move from a logic of consequences to a logic of appropriateness in FEP.
Roles and Identities

This part of the paper argues for explicitly linking role and identity theories to the analysis of foreign economic policy, in the context of the GPE (as noted earlier, this relies strongly on work conducted with Ole Elgström: see Elgström and Smith 2005). Roles, as discussed here, refer to patterns of expected or appropriate behaviour. They are determined both by an actor’s own conceptions about appropriate behaviour and by the expectations, or role prescriptions, of other actors (cf. Holsti 1970: 238-9; see also discussion in Aggestam 2004a, 2004b). Looking at roles in this way, a direct connection can be made to neo-institutional theory and its emphasis on a ‘logic of appropriateness’ (March and Olsen 1988). According to this logic, actors behave in the way they believe is expected from them in a particular situation or context. Actors cannot independently decide what roles to play, as roles are also influenced by the expectations of other actors, often linked to positions in social structures. The ‘role-taking side of the equation’ is necessarily combined with a ‘structural, role-constituting’ side (Wendt 1999: 227-8). It can readily be seen that this implies an important modification to the concept of ‘state economic functions’ with its actor-centred and institutionalist focus.

![Figure 2: Relations between identity, images and roles.](image)

Role ‘performance’ refers to how, in what ways, a role is played. Also role performance, the actual behaviour of actors, is influenced by external perceptions of how a certain role should be, has been, and is enacted. Once a role is defined and has
become institutionalised, it will act as a constraint, but also as a instrument of empowerment, for the role player. Enacting a role is not something you do mechanically; roles ordinarily allow for a certain freedom of manoeuvre and interpretation, albeit within limits (Wendt 1999: 227).

Besides role conceptions, the images others have of an actor seem to influence their assessment of role performance. ‘Image’ here refers to perceived actor characteristics in terms of, for example, degrees of unity, flexibility, openness, willingness to compromise and inclination to take initiatives (see Figure 2, below). Images influence how actors are perceived to play a certain role and therefore also indirectly influence the impact actors have on their environment.

Roles are in several ways closely intertwined with identities. The role conception of an actor can be said to constitute a behaviourally related element of an actor’s identity, linked to its relations with other actors. Roles are thus related to the social identity of an actor (‘sets of meaning that actors attribute to themselves while taking the perspective of others’; Larsen 2003), in contrast to the actor’s intrinsic identity (Jepperson et al. 1998: 59; Kowert and Legro 1998: 475-7; cf. Wendt 1999: 226-7). Actors’ role conceptions are sometimes defined in contrast to roles played by certain other actors, or to the ways in which other actors perform a role, thereby reflecting the basic ‘we-and-them’ character of social identities. Empirically, identities are reflected both in the role conceptions and in the self-images expressed by the actor (see Fig. 1). Self-images involve notions of how, in what ways, you typically enact a certain role.

Roles are often associated with certain positions (‘great power roles’, ‘presidency roles’) (cf. Holsti 1970: 239-40). ‘The sharing of expectations on which role identities depend is facilitated by the fact that many roles are institutionalised in social structures that pre-date particular interactions’ (Wendt 1999: 227). Roles may also, however, be connected to the behaviour of an actor in a specified issue-area or in a certain organisational forum. Roles are thus, at least to a certain degree, contextually determined - as are identities. We can therefore expect actors in the GPE to perform different roles under different circumstances and in different issue-based contexts (and this would also be suggested by a more general analysis of the 'new international political economy' with its emphasis on pluralism and fluidity of status or expectations). A major challenge here is to try to further our understanding of the extent to which context determines roles, and in what ways. Traditionally, the study of
how different contexts contribute to the enactment of roles has been the task of organisation theory, while investigation into the initial formation of role conceptions has been the realm of social constructivists (Trondal 2001: 3). It is important to explore how far it is possible to combine these two endeavours.

In order to explain such variety, we need to refer to both internal and external factors (or, in other words, to the supply of and demand for certain roles). Initially, it might be suggested that characteristics of an actor itself are one important explanatory factor. Roles are hypothesised to vary with different combinations of policy coherence, divisions of competencies, access to policy instruments and the clarity of goals. Variation may, however, also be linked to external policy context, for example in terms of the negotiation situation at hand or the challenges and opportunities presented by international crisis and change. To take the first case - that of negotiation - roles may be different depending on, for example, the power distribution between the negotiators or on the orientation to change of the actor concerned. Obviously, an actor’s behaviour may also depend on whether a certain role, that is perceived to fulfil a necessary function (leadership, mediation, crisis management), is enacted by another actor or not. A role vacuum may encourage an attempt to fill the gap. If two or more actors engage in the same type of activity, role competition may ensue.

Great power – small state
(type of great power)
Leader – mediator – follower – defender of self-interests

Proactive – reactive – passive
United – fragmented
Flexible – inflexible
Accommodative – confrontational
Transparent - opaque
Accessible - closed

Figure 3: Dimensions of roles and images.
The roles of primary interest for studies of FEP in the international arena seem to reflect two major dimensions (see Figure 2). One is similar to the power-based dimension alluded to above, and essentially mirrors a traditional great power role and a normatively inclined civilian power role, respectively. Under what circumstances, and with what effects, does an actor enact the behavioural patterns often associated with great powers ('pursuing security and welfare-related goals with coercive policy instruments' or – in multilateral negotiations - 'relying on material means of influence in a bargaining-oriented manner')? When, and with what effects, does it play the role of a civil power or norm exporter ('pushing for value-related goals with soft policy instruments’ or – in multilateral negotiations – ’relying on persuasion in a spirit of joint problem-solving’)? The other relevant dimension is directly linked to concrete international negotiation or institutionalisation processes, and refers to functions that are commonly carried out in multilateral fora: leadership, mediation, defence of national interests, etcetera. In what contexts, and with what results, can we expect a given actor to act as a leader or a mediator, or to primarily act as a defender of material interests? Finally, an analysis of role performance should also include observations on how roles are enacted. For example, what type of a leader is an actor in a certain context? How proactive is it (in terms of, for example, taking initiatives within multilateral fora)? Does it engage in negotiations as a problem-solving partner or as a distributive bargainer? Is it characterized as flexible or rigid, open or closed?

Combining Functions and Roles in the Analysis of Foreign Economic Policies

Thus far, the paper has kept separate the two streams of analysis in which it has engaged. On the one hand, it has argued in a broadly materialist and rationalist vein that it is possible to identify key ‘state economic functions’ that are likely to be pursued in FEP, and that these can be related effectively to the aims and targets of FEP; FEP thus becomes the supply of services to meet the demand of state economic functions and to affect the behaviour of others in the GPE, and is associated with a ‘logic of consequences’. This position shares a number of characteristics with the arguments of institutionalists, who stress the ways in which external policies reflect the institutional bargains and patterns struck within national economic settings, and who focus on the interaction between different institutional contexts in the GPE. On the other hand, the paper has argued that FEP cannot be adequately understood without taking account of the ways in which roles are constructed and pursued by
actors through FEP – an essentially post-materialist position that is similar in many respects to that of social constructivists. In this context, roles are shaped and supplied through the social and normative systems of actors, in response to or in juxtaposition to the demands imposed by social contexts in the GPE, and they are associated with a ‘logic of appropriateness’. It might be argued that although each is clearly relevant to the analysis or understanding of FEP, these two positions are essentially incommensurable, expressing as they do different traditions of thought and epistemologies, but it is apparent from the argument so far that this is only true at the margins. There is a significant degree of potential or actual overlap between them.

This section of the paper thus argues that these positions can be brought together, to provide a more comprehensive approach to the analysis and understanding of FEP and to relate it to the broader GPE. In other words, as noted at the beginning of the paper, foreign economic policy in the contemporary global political economy can be analysed through the combination of attention to state economic functions and the role conceptions of governing authorities, which find expression in a wide range of functional and institutional domains. In principle, this enables analysis to take account both of the material and of the normative expressions of FEP, and to apply them to the actions taken and aims pursued by actors within the GPE. This does not mean that the combination of the two elements is unproblematic; what it does mean is that the analysis of FEP can focus on key areas of tension between the material and the normative, and raise significant questions about the balance between them.

The first step in this attempt to combine the elements is to bring together the concept of state economic functions with that of role, and to explore the questions this raises. It was noted earlier that there is a set of actual or potential tensions between state economic functions, possession goals and milieu goals (see Figure 1). Here this can be extended to indicate how the notion of role can add to this understanding of these key tensions (see Figure 4 below).

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<td>Leader/model Negotiator Regulatory power</td>
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<tr>
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<td>Maximisation of growth and reducing inequalities and</td>
<td>Normative commitment e.g.</td>
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One feature that emerges from this summary analysis is crucial to the analysis of FEP: that there can be conflict or reinforcement between the pursuit of state economic functions and role conceptions in FEP. The performance of state economic functions (say) in the area of welfare and employment is potentially at odds with a normative commitment (say) to global economic development or environmental protection. Equally, the commitment to preservation of collective economic security can be directly at odds with the normative commitment to liberalisation or multilateralism. In short, the performance of state economic functions and the generation of national or regional role conceptions can create significant contradictions for policy-makers and for the pursuit of policies at home and abroad. Resolution of these conflicts – or at least the search for sustainable compromises between them – is a key task of FEP in the contemporary GPE.

A second implication follows. Because role conceptions and role performance depend not only on internally-generated images and identities but also on the ways in which these are received in the GPE, there can be major tensions between actors’ FEPs and the targets at which they are aimed or the arenas in which they are pursued. Given that FEP is likely to reflect a compromise between the materialist commitment to state economic functions and more normatively-informed role conceptions, its projection into the GPE can underline the tensions this creates. The result is likely to be a problem of policy articulation and policy management and thus of credibility and sustainability. In short, where state economic functions and role conceptions are mutually reinforcing in FEP, the chances of external coherence and credibility are

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high; where they are at odds, then the chances of external coherence and credibility are low.

Finally, it can be argued that this tension or reinforcement between material and ideational elements in FEP is potentially important for the shaping of global institutions and practices in the GPE. Especially where major actors experience the kinds of tensions and contradictions outlined above, they are likely to be limited in their contributions to the development of global institutions or norms. They are also likely to manifest disabling gaps between normative positions and material actions, depending on the material interests at stake, which can be defined in terms of the state economic functions already discussed. Where normative and materialist pressures are mutually reinforcing in FEP, this might produce greater coherence and credibility of policy at the actor level (see above) but it may not enhance the chances of progress at the multilateral or global level; it may in fact exacerbate conflicts between actors whose positions become intransigent and immovable.

This part of the paper has attempted to show the ways in which materialist forces and social or normative dimensions of FEP can be combined for analytical purposes, and has drawn attention to the key importance of tensions or reinforcement between material and normative aspects of FEP – represented respectively by the ideas of state economic functions and of role – and the ways in which these might affect the conduct of foreign economic policy and its impact on the GPE. The remainder of the paper tries to add substance to this general argument by relating it to the case of the European Union.

**Dimensions of European FEP**

It is important here to remember the vital distinction between (but also the linkages between) two aspects of 'European FEP'. First, there is the notion of 'The EU’s FEP' or ‘EUropean FEP’ pursued at the collective level through the agency of the European Union, and embodying a set of assumptions about the institutions, the resources, and the style of operation of the EU. Second, there is the notion of the 'Europeanisation of national FEP', embodying powerful arguments about the ways in which national structures have been restructured and reorientated by the forces operating in the new Europe. In principle, both of these aspects can be analysed in terms of the concepts outlined earlier in the chapter. In their own terms, they embody an important set of distinctions, but they do not imply a separation of 'EUropean FEP' from 'Europeanised
FEP’. The important thing is that these two elements coexist in a fluctuating balance in the operations of economic and political agents, and not only that - they also shape the norms according to which both public and private agents structure their activities and their understandings of the political/economic environment. The focus here, however, is on the first image: that of ‘the EU’s FEP’ (for discussion of the interactions between this and ‘Europeanised FEP’, see Smith M. 2004).

The focus is also shaped by the fact that the EU demonstrates rather directly the disparity between material commitments to ‘possession goals’ and a certain definition of the ‘European interest’ in the GPE, and the normative commitment to ‘milieu goals’ and a certain definition of ‘civilised’ relations within the global political economy. The EU is (and has increasingly become) a major ‘weight’ in the global economic balance, and has the powers to create significant effects within the GPE; at the same time, however, it is vocal in its commitment to the development of new international norms and regimes, and is apt to contrast this (for example) with the positions adopted by the USA. So at least in principle, we have here a promising terrain on which the test out the general ideas put forward in this paper.

The EU and ‘State Economic Functions’

I have argued elsewhere (Smith M. 1998; see also 2001, 2005 forthcoming) that if we are to look for a ‘European foreign policy’ it is to the first pillar of the EU that we should pay immediate attention. It is here that we find the key aspects of what can be termed 'EUropean FEP'. First, the EU provides a highly developed institutional framework resting on grants of competence and embodying material capabilities that can be directed towards state economic functions at the European level. Second, the capacity to act in pursuit of state economic functions is underpinned by a well-developed set of policy instruments (although importantly, those instruments do not yet provide some of the key levers of macro-economic policy action). Third, the EU possesses the ability through the deepening of integration, through enlargement and other means to 'capture' national FEPs - both those inside the EU and those outside - through the internalisation of major areas of activity and through the provision of incentives for economic agents to shape their actions within the EU context. Fourth, there is a recognition by 'significant others' that the EU (strictly speaking the EC) is a capable and valid strategic partner and/or rival. Finally, there is recognition that in a variety of global institutions such as the World Trade Organisation the EU/EC speaks
on behalf of its member states and that it has acquired institutional legitimacy through
the exercise of this capacity - although again it is important to note the many areas in
which this capacity does not yet exist in any significant form, or in which it is
contested (Smith M. 2004b; 2001).

This is clearly a powerful *prima facie* case for the recognition of a 'EUropean
FEP', although it is clear that its legitimacy and potency are limited in a number of
important areas. This FEP is also linked to the emergent 'European foreign policy'
both by events (the development of political/economic linkages in a globalising and
regionalising world) and by design (the provision for linkage and 'consistency' in
successive EU treaties, or the active search for linkage by EU authorities). The net
result of this process is that in many areas of commercial policy, regulatory policy, aid
policy and linked areas such as environmental policy, there is a practical EUropean
FEP (Smith M. 1998, 2001; Collinson 1999; Young 2000, 2002). In terms of the
earlier discussion, we have here substantial evidence that the forces operating in the
contemporary European environment, the demand for the performance of state
economic functions at the European level, and the demands of different negotiating
*milieux* are convergent. To put it crudely, the EU/EC is a valid focus for FEP in the
contemporary GPE. It may well be that there are important differences or tensions
affecting its capacities and impacts as between different institutional, regional or other
contexts within the GPE (and as between the ‘three GPEs’ identified earlier), and that
is a key question for empirical analysis. Figure 5 (below) shows one aspect of this, by
extending the earlier discussion of state economic functions, possession goals and
milieu goals with some examples of the ways in which they might interact in EU FEP.

<table>
<thead>
<tr>
<th>Possession Goals</th>
<th>Milieu Goals</th>
<th>EUropean FEP</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Regulation/Rights</strong></td>
<td>Establishment of market and regulatory systems</td>
<td>Reform in Central and Eastern Europe</td>
</tr>
<tr>
<td><strong>Economic Welfare</strong></td>
<td>Maximisation of growth and employment</td>
<td>Reducing inequalities and stabilising flows</td>
</tr>
<tr>
<td><strong>Competitive Advantage</strong></td>
<td>Reducing wage and social/regulatory costs</td>
<td>Providing market access to the EU for outsiders</td>
</tr>
<tr>
<td><strong>Collective Security,</strong></td>
<td>Promoting 'societal security', defending</td>
<td>Divergence of competitive contexts within and</td>
</tr>
<tr>
<td></td>
<td>Establishing regimes for</td>
<td>outside the EU</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Unplanned flows of economic and other</td>
</tr>
</tbody>
</table>
Autonomy | borders and values | migration, etc at the EU level | migrants between European countries

Figure 5: Combination of State Economic Functions, Possession Goals and Milieu Goals in EUropean FEP

As noted earlier and above, a key element in developing such an analysis must be the different demands of action and modes of policy formation in the different but interconnected 'three worlds' of the GPE (boundaries, layers and networks), in which different meanings might be attributed to and different outcomes generated by actions under EU FEP. In effect, therefore, there is a set of three versions of Figure 5, corresponding to the pursuit of state economic functions and the generation of possession goals and milieu goals in each of the ‘three worlds’ of the GPE. There is no space here to develop this point in detail, but it is important to recognise that complexity of context, of process and of outcomes is a central feature of the EU’s FEP, both because of the internal setting of policies and institutions and because of the several dimensions in which the GPE exists. This relates strongly to the points made earlier about ‘target selection’ in foreign economic policy and the intersection between public and private in the GPE. Because of the global range of its involvement, the EU is faced with a major challenge in terms of ‘target selection’ in its FEP: for example, in relation to the distinction between multilateral, inter-regional and bilateral commercial policy negotiations (Aggarwal and Fogarty 2004). The EU/EC is also increasingly recognised as a valid interlocutor on FEP by other major actors in the GPE, and has gained institutional legitimacy not only in global bodies (Young 2000, 2002; Damro 2005) but also among private actors in global production and exchange; this in turn adds to the complexity of relationships within which the EU pursues state economic functions, sets targets and pursues goals. One can go further and also argue that the 'civilian' focus that characterised the EU for much of its early existence has now been influenced by important processes of 'politicisation' which have loaded the FEP of the EU with an increasingly political set of implications and impacts, for example in the use of economic sanctions and the use of political conditionality in commercial agreements (Smith K. 2003, 2004; Smith M., 1998).

To assert such a position clearly raises as many questions as it answers. The notion that the EU increasingly possesses the capacity for strategy, action and impact
in the GPE naturally leads to questions outlined above about the foundations for and direction of the strategy, the aims and targets of the actions and the ramifications of the EU’s interventions and impacts. One way of taking this further – as argued earlier in general terms - is to place it within the context of theories about the EU’s role in the world arena at large and especially within the GPE. This is the subject of the next phase of the argument.

The EU’s Role(s) in the GPE

It is not uncommon to find the concept of ‘role’ in the general EU foreign policy literature. It is most often used as a synonym for influence (‘the growing role of the EU in international politics’), but sometimes also as an umbrella concept for general patterns of EU policy behaviour. There is seldom, however, a specification of what roles the EU is actually engaged in, and never any reference to role theory (Holsti 1970; Walker 1987, 1992; Le Prestre 1997). Those scholars that do utilise the role concept in a more systematic way (Hill 1990, 1993, 1998; Bretherton and Vogler 1999) tend to refer, in their categorisations, to a power dimension: to traditional great power roles, linked to position and status (balancer, intervenor, supervisor, patron, global or regional leader), but also to roles that have previously been mostly associated with small states (mentor, model, bridge-builder, mediator, norm entrepreneur). This links with a much broader debate about the status of the EU as a ‘civilian power’ and the extent to which it has moved towards ‘hard power’ and a ‘real’ foreign policy (see above). The most systematic and comprehensive application of role theory in the context of the EU and foreign policy, by Lisbeth Aggestam, focuses strongly on the ways in which national role conceptions are or are not reshaped by engagement with the EU (Aggestam 2004a, 2004b), and this provides many important issues for further research at the European level – not least the extent to which ‘EUropean’ role conceptions are shaped by the interplay of national and other role conceptions Aggestam 2004a: chapter 7). The purpose here is to explore the ways in which the ideas of role outlined earlier in the paper can be used to add a dimension to our understanding of the EU’s foreign economic policy, and to approach this from a perspective in which non-material elements are combined with the more material and rational components discussed in the preceding section.

Five basic elements of role theory - role conceptions, origin of roles, role institutionalization, role performance and role impact – can be isolated from the
earlier discussion and used as components of a framework for analysis of the EU’s role(s) in the GPE. The importance of role conceptions arises from attention to self-images, to others’ role expectations and to the interplay between these two elements of EU role-playing. One question that arises in this context is how important the EU really is in the GPE (is the EU playing an international role? what role does the EU actually play?); another question relates to different types of roles and to specific EU roles. A key problem that emerges is that of leadership: a problem related to capacity, commitment and legitimacy as well as to impact (see below), and which for example has been explored in relation to the EU’s role in the World Trade Organisation (Young 2002; Meunier and Nicolaidis 2005). Likewise, the issue of transfer, or reproduction, of domestic models and institutions at the international level is a recurring phenomenon in thinking about the EU’s role in the GPE (for example, in areas such as environmental policy and technical standards). Finally, there is a question about broad issues of principle and their relationship to EU role conceptions, for example the potential of multilateralism as a key element in the EU’s engagement with the GPE. In this context, it is almost inevitable that the analyst will confront the issue of difference: is the EU playing new and innovative roles in the GPE? Is the EU a “different” type of international actor with reference to the GPE, even though as we have seen it is performing established state functions in many areas? Do the social and normative elements central to role conceptions as discussed earlier significantly shape the assumptions behind the EU’s foreign economic policy?

The second element refers to the origins of EU international behaviour. First, are EU roles in the GPE strategically conceived and thus linked to design and choice or are they the result of contingency incrementalism and processes of social communication? Second, what are the driving forces behind the choice of role(s)? Does the EU follow a logic of consequences or a logic of appropriateness, or both (and in that case, under what circumstances?)? This latter question is obviously related to different considerations concerning the strength of material interests versus identities, ideas and principles as guiding forces in the GPE. It is possible to identify a series of subsequent issues relating for example to the balance between internal and external forces, seeing EU role performance in the GPE either primarily as a consequence of global or international pressures or as a resultant of domestic or institutional struggles and concerns (Meunier 2003; Smith M. 2001, 2005 forthcoming).
The issue of representation, related to European identity and to EU rules and institutional competencies, forms the basis for the third element, concerning institutions and institutionalization. Who or what is the EU for purposes of role analysis? What is the importance of transnational forces and institutional actors, as role entrepreneurs and as providers of various types of resources? Not least, considerations of the relative impact of member states (including the Presidency) and of the European Commission, respectively, are potentially significant to an analysis of this element in the EU’s FEP (see for example Meunier 2000).

Under the heading of role performance, the problems and obstacles to be found in translating role conceptions into coherent and credible policy (and in particular addressing the tensions between materialist and normative considerations) can be addressed. It is important to analyse and assess the existence and importance of role variations across policy areas. Is the EU playing different roles (both as regards importance and type of roles, and as regards the language of enactment) in different contexts? Does this result in role conflict and, if that is the case, with what effects? Role performance is inextricably connected to issues of consistency: on the one hand consistency between declaratory and operational aspects of role (“vertical consistency”), on the other hand between policy domains or institutional context (“horizontal consistency”). Potential linkages and distinctions between “politics”, political economy and “soft”, norm-driven issue-areas also need to be explored. Finally, there are questions about means of influence in and across policy areas: asking these enables us to address when and under what circumstances the EU tends to rely on material influence, on social influence (“naming and shaming”) or on “genuine persuasion” respectively (Johnstone 2001; see also Risse 2000 on the ‘logic of arguing’) and to facilitate an evaluation of existing EU capabilities and of possible capacity gaps.

The final element explores the role impact of EU policies, its ability to achieve desired effects, in terms of, amongst other factors, effectiveness (goal realization), efficiency (gains versus costs) and legitimacy. This theme is closely linked to discussion of role performance, in the sense that variations in performance may explain variation in impact. It is also logical to be concerned about the ways in which policy may have an impact: here, it is possible to think in terms of for example leadership and of a potential civilizing (“post-sovereign”) EU impact on the GPE. Is the EU actually acting as an agent of international structural change (cf. Keukeleire
2003), pursuing milieu goals (Wolfers 1962) with a view to domesticating international rules and behaviour, is it a guardian of the existing multilateral system, or is it merely acting as a “traditional” great power with an emphasis on possession goals and using either unilateral or multilateral strategies whenever this is in its best interests? This theme is linked to evaluations of both short- and long-term consequences of EU role-taking. Are responses to and feedback on EU role performance leading to adaptation or to reinforcement? Is the result role multiplication and diversification (a generalist approach), or role specialization, where the EU takes on a limited number of carefully selected tasks in the international system?

*Functions and Roles: Images of the EU in the GPE*

From the discussion so far, it is possible to draw two conclusions: first, that a view of the EU’s FEP based on analysis of state economic functions and material goals is fruitful but insufficient in terms of providing explanation and understanding; second, that the addition of analysis based in role theory, and thus combining material and non-material elements is potentially markedly more powerful. In this section, the aim is to suggest some images of the EU that arise from a combination of state-function analysis and role analysis.

The figure below attempts to combine the various elements noted so far and to relate them to some established images of the EU’s role in the GPE. It makes no claims either to be exhaustive or to be definitive: it is intended to illustrate the ways in which this kind of analysis might further the study of the EU’s FEP.

<table>
<thead>
<tr>
<th>Image</th>
<th>Functions/goals</th>
<th>Roles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fortress Europe</td>
<td>Defensive commitment to maintenance of European way of life; protectionism and exclusion</td>
<td>Inwardly-directed; importance of sectional interests and of perceived costs/risks of globalisation</td>
</tr>
<tr>
<td>Superpower Europe</td>
<td>Primacy to collective security and possession goals; use of structural</td>
<td>Self-generated; institutionalisation at EU level; emphasis on</td>
</tr>
</tbody>
</table>
power and of ‘capture’ to assert EU position | instrumental and search for leadership in GPE

| Multilateral Europe | Primacy to multilateral rules and regimes, and to milieu goals; use of institutional resources and legitimacy | Socially generated through participation and competition within regimes; emphasis on procedural and negotiated order

| Inter-regional Europe | Combination of welfare goals and collective security; combination of possession and milieu goals; use of market power and ‘attraction’ | Politically generated; dialogue with regional partners, linkages with multilateral regimes; public-private interactions

Figure 6: State Functions and Role Conceptions in Four Images of European Foreign Economic Policy

How does this summary help us to think about the broad issues raised earlier in the paper, about the tensions between material interests and non-material considerations in FEP? Some very broad conclusions are in order here:

- First, there is clear evidence in European FEP of the tension noted earlier, between material interests and normative positions; it takes different forms in the different images outlined above, but it is always there. There is a strong argument for exploring this further through detailed case studies of (say) EU commercial policies.
- Second, although not explicitly addressed in the outline above, it is clear that there are potential tensions for European FEP, between the pursuit of material state functions and the external targets to which they are addressed or the arenas in which they are pursued. To put it crudely, the EU’s statements of commitment to global norms, which have been systematic and extensive, come into conflict with the pressure from other images and aims.
Third, it seems clear that these tensions play out in ways that are likely to affect the structure, institutions and practices of the GPE more broadly. To be more specific, it is appropriate to ask whether and how widely the EU can contribute to the establishment of effective global norms where it suffers from potentially disabling role conflicts of the type implied by the coexisting images we have identified. These issues have been noted by others for other areas of the EU’s international policy making (e.g. on human rights, etc), but it is clear that there is a specific set of questions and potential answers for the GPE, where arguably the EU’s position is at its most ‘statelike’.

A final set of tensions should also be noted. At various points during the paper, it has been clear that the artificial separation of FEP from other aspects of the EU’s international policies begs a number of important questions. Most significantly, it is clear that the tensions noted here in EUropean FEP can be aggravated by the processes of linkage and politicisation or securitisation that have been noted by many treatments of ‘European foreign policy’ (see references cited earlier; also K. Smith 2003, 2004). This is an important additional dimension of the images outlined here, and one which will need to be accommodated in a more developed study of EUropean FEP.

**Conclusion**

This paper has set out to provide the building blocks for a systematic evaluation of the EU’s foreign economic policy. It has done so by setting out a general framework for considering the interplay of materialist and non-materialist elements in FEP, and identifying the tensions that can emerge as the result of this interplay. It then went on to outline the components of a ‘EUropean FEP’ and to relate these to the interplay of material and normative elements identified earlier in the paper.

As a result, and in a very tentative way, the paper has been able to arrive at some more pointed questions about the forces that operate to shape the EU’s FEP, and to pose some issues that are in principle capable of further investigation. As such, the paper is only the first step in setting a research agenda, but it can at least claim to have exposed more clearly some of the key questions around which that agenda may develop.
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