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# The role of trade partners' cohesiveness in the conclusion of interregional agreements with the European Union

UAB – 26th October 2018

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## Jean Claude Juncker

- “I believe we should develop the numerous EU-African trade agreements into a continent-to-continent free trade agreement, as an economic partnership between equals.” 12/Sept.



## What is Juncker telling us?

- Importance of interregionalism on the EU trade **agenda**.
  - Relations between the EU and **Africa**.
- Interest in the EU's trade **counterpart**.
  - Negotiating with continents, regions, groups...

## The role of trade partners' cohesiveness in the conclusion of interregional agreements with the European Union

- **Structured** around the four contributions of the thesis:
  1. Policy-maker
  2. Theoretical
  3. Methodological
  4. Empirical
- Results

## 1. Policy-maker contribution.

- Questions for the policy maker:
  - How **likely** it is to conclude interregional agreements?
  - Which **characteristics of the counterpart** matter?
- EU's criteria build on Global Europe strategy (2006).
  - Trade, Growth and World Affairs (2010), Trade for All (2015).
  - **Selection** of partners on the basis of economic and political criteria.
  - Do these criteria help to explain the **conclusion** of agreements?

## 2. Theoretical contribution.

### a) EU's performance widely studied.

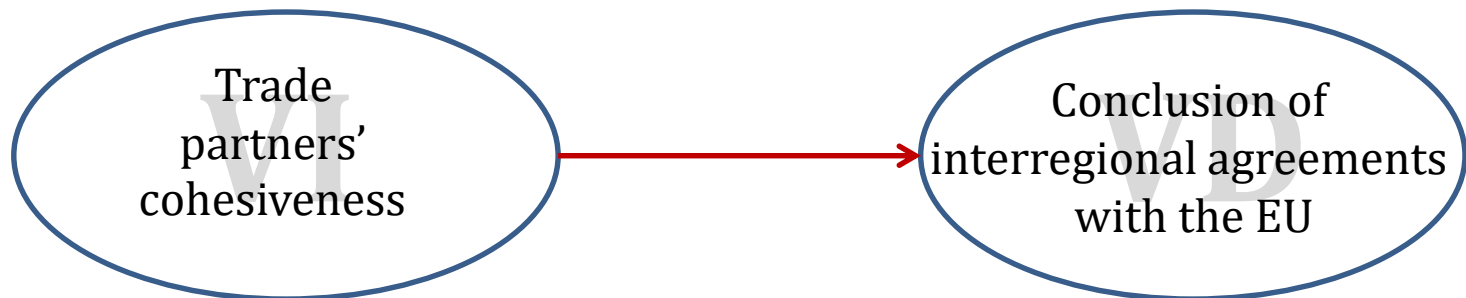
- EU's external performance explained through **internal** capacities 'single voice' (Meunier 2000; 2005; Meunier and Nicolaïdis 1999; 2006) or the **international** context (Barbé et al. 2016; da Conceição-Heldt 2014; Jørgensen et al. 2011).
- But what about the EU's **trade partners**? Underexplored.
  - **H:** We cannot discard the regional partner's cohesiveness as independent variable of interregional trade agreement with the EU.

## 2. Theoretical contribution.

- b) What to we look from the regional partner?
  - Few attempts to analyze the EU's counterpart.
- We build on Aggarwal and Fogarty (AF) (2004).
  - Wide **framework** that studies EU's trade interregionalism
  - Aim to **refine** it theoretically.
  - They assess the characteristics of the counterpart **qualitatively**.

## 3. Methodological contribution.

- How? We take AF's framework but from a **quantitative** perspective.
  - Almost neglected in interregionalism literature.
  - a) Test **H**: Focus on the average effects.
  - b) Assess AF: Assess correlations among dimensions.





## 3. Methodological contribution.

- **VD: Conclusion of interregional agreements.**
  - **Interregionals?:** “In a narrow sense” (Hänggi 2006).
    - Regional organizations and regional groups ...
    - ... formed by more than two countries (Börzel and Risse 2016).
  - **Conclusion?:** Agreement (1) and no agreement (0)
    - **Agreement:** Signature (Bartels 2008).
    - **No agreement:** Suspended, shift to bilaterals, signed with part of the regional members.

## 3. Methodological contribution.

- **VD: Conclusion of interregional agreements.**
  - 14 cases: 4 + 10.

CARIFORUM  
Central America  
ESA interim  
SADC

ASEAN  
CAN  
Central Africa  
EAC  
ESA full  
GCC  
MERCOSUR (2)  
Pacific  
West Africa

## 3. Methodological contribution.

- **VI: Regional cohesiveness.**

- **Cohesiveness:** ‘Forces’ that bring the group united and contribute to work together effectively.
- **Framework:** Aggarwal and Fogarty (2004).
  - They identify 5 different ‘forces’ or dimensions.
- **Composite index:** Quantitative measurement.
  - System of different indicators.

## 4. Empirical contribution.

- Cohesiveness Composite Index (CCI):
  - Formed by 11 indicators.
  - Operationalization on the basis of theory and data available.
  - Uses IR and interregionalism **theory**
  - Uses **data** from International Organizations (World Bank, UNCTAD, IMF...) and research centres (Polity IV, COW, OEC...).
- Awareness of the ‘**finite empirical substance**’ of interregionalism (Rüland 2014; Baert *et al.* 2014).

## The Cohesiveness Composite Index (CCI)

CCI		Db
• <b>Preferences</b>	<ul style="list-style-type: none"> <li>• Political</li> <li>• Economic</li> <li>• Security</li> </ul>	Polity IV WTO RTA-IS COW and MID
• <b>Institutions</b>	<ul style="list-style-type: none"> <li>• Authority</li> <li>• Autonomy</li> </ul>	MIA MIA
• <b>Power</b>	<ul style="list-style-type: none"> <li>• Power</li> </ul>	World Bank
• <b>Coherence</b>	<ul style="list-style-type: none"> <li>• Membership</li> <li>• Trade</li> <li>• Culture</li> </ul>	Own elaboration OEC Encyclopaedia Britannica
• <b>EU treatment</b>	<ul style="list-style-type: none"> <li>• Batna</li> <li>• EU interest</li> </ul>	WTO IMF and Polity IV

## The Cohesiveness Composite Index (CCI)

CCI

- Preferences

- Institutions

- Power

- Coherence

- EU treatment

- Economic

- Authority

- Power

- Trade

[EXAMPLES]

Measure of International Authority  
(Hooghe *et. al* 2017)

$$Power_r = \sum_n Hegemon_i + Small_i$$

$$Trade_r = \frac{\sum_n \left( \frac{ExportsR_i}{ExportsT_i} + \frac{ImportsR_i}{ImportsT_i} \right) * GDP_i}{GDP_r}$$

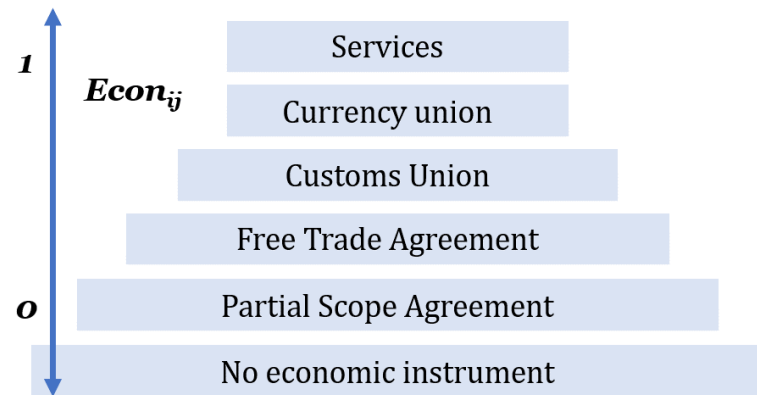
## The Cohesiveness Composite Index (CCI)

CCI

- Preferences
- Institutions
- Power
- Coherence
- EU treatment

• Economic

$$Economic_r = \frac{\sum_n Econ_{ij} * \frac{GDP_i + GDP_j}{n-1}}{GDP_r}$$

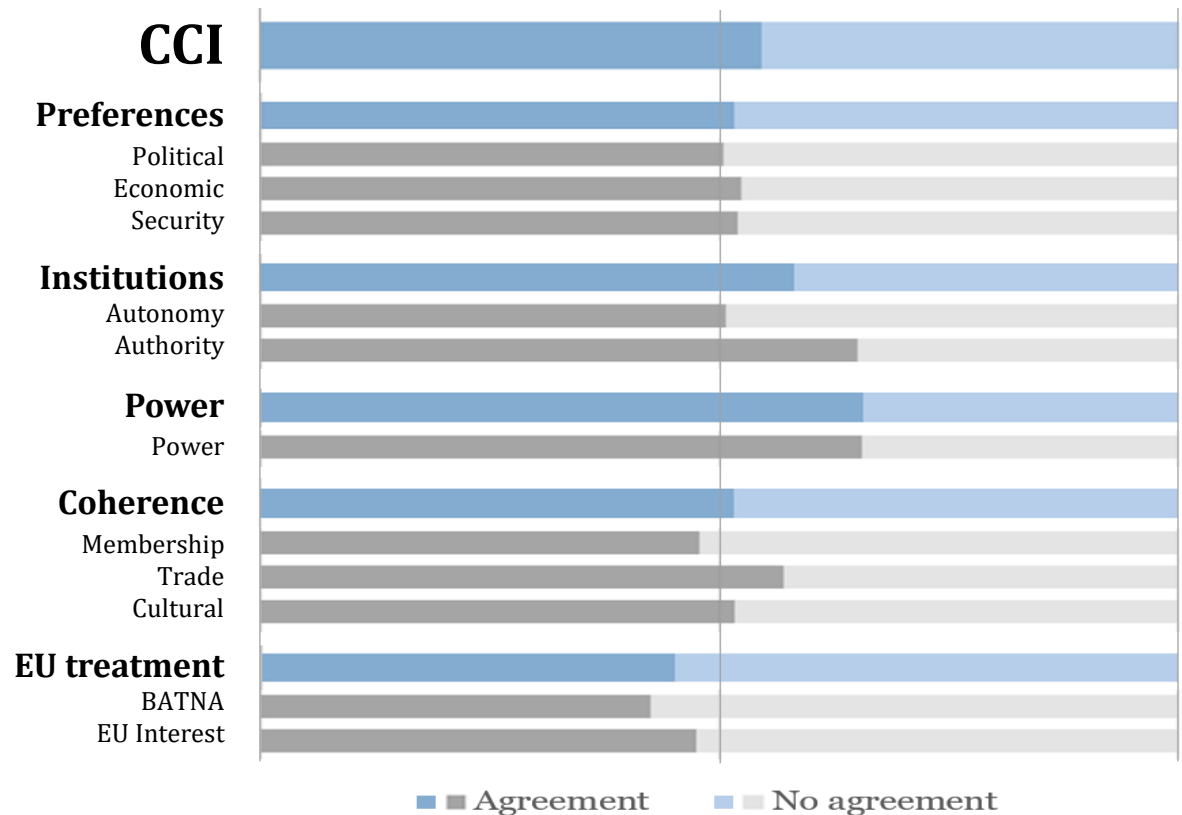


**Data:** WTO Regional Trade Agreements Information System

**Theory:** Béla Balassa's (1961; 1994: 126)

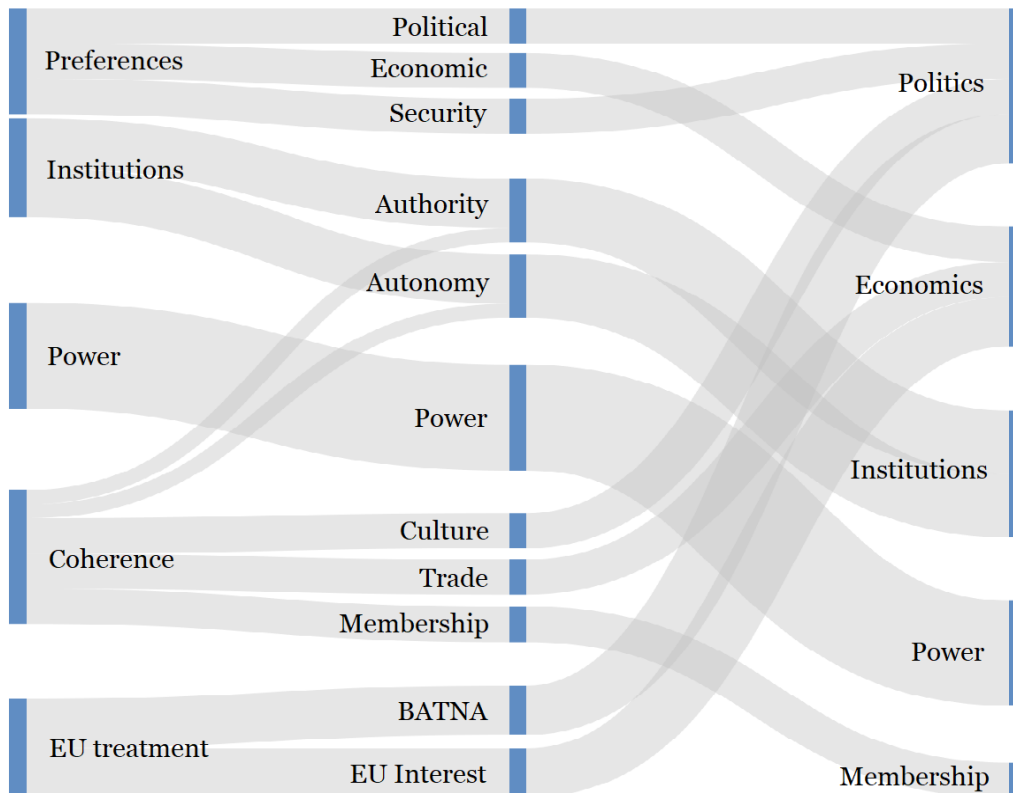
- **CCI:** On average higher CCI in agreement regions:
  - We cannot discard the **H** that regional cohesiveness is an independent variable of EU trade agreement.
- **Relevant factors:**
  - Strong positive correlation between **Authority** and **Power** and agreement.
  - Positive in **trade**.
  - Negative in **EU** variables.

**Table 1. Mean difference in cohesiveness variables**





**Table 2. Old & new dimensions of cohesiveness**



- **Empirical test of AF**
- Through correlation table and PCA technique.
- **Suggestions for the framework:**
- **Economic** variables are highly correlated among them.
- **Political** variables are highly correlated among them.
- **Regionalism** and **regionalization** seem to be fairly separated processes.

- **Empirical:** Indicators of cohesiveness bring new ‘empirical substance’ to the field.
- **Methodological:** Quantitative analysis assessing average impact and correlations.
- **Theoretical:** Two points:
  - a) EU’s performance should take into account the partner.
  - b) Suggestions for the AF theoretical framework.
- **Policy-maker:** Considerations for trade strategies.
  - Power and institutional considerations above economic and political criteria.

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