

**THE EUROPEAN UNION'S EXTERNAL TRADE POLICY
AFTER THE TREATY OF LISBON:
A Neo-Gramscian Perspective**

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**Rezumat: Politica Uniunii Europene în domeniul comerțului exterior după
Tratatul de la Lisabona: O perspectivă neo-gramsciană**

În acest articol se analizează politica Uniunii Europene în domeniul comerțului exterior în perioada post-Lisabona prin prisma teoriei neo-gramsciene. Aceasta din urmă susține că în pofida afirmațiilor potrivit cărora modificările procedurale și instituționale aplicate ca urmare a ratificării Tratatului servesc intereselor generale ale cetățenilor Uniunii Europene, în realitate acestea au fost orchestrate de clasa capitalistă transnațională europeană și servesc cu prioritate intereselor acestui grup. Autorul analizează principalele schimbări ale structurii instituționale și procedurilor introduse prin Tratatul de la Lisabona (intrat în vigoare la 1 decembrie 2009), scoțând succint în evidență implicațiile lor pentru UE. În continuare, raționamentele acestor schimbări sunt explicate prin concentrarea analizei pe dezvoltările socio-economice înregistrate la nivelul UE în ultimele decenii. După prezentarea modului în care a fost creat actualul bloc hegemonic, studiul încearcă să explice de ce modificările introduse sunt atât de importante pentru forțele sociale dominate în UE.

Abstract: This paper applies neo-Gramscian theory to analyze the European Union's external trade policy after the ratification of the Treaty of Lisbon in 2009. It argues that despite the claim that procedural and institutional changes which took place as a result of the ratification of the Treaty serve the general interest of the EU citizens, they were in fact orchestrated by the European transnational capitalist class and serve primarily interests of this group. Paper starts by outlining key institutional and procedural changes introduced by the Treaty of Lisbon, briefly outlining their implications for the EU. Further on, rationale for these changes is explained by focusing on socio-economic developments that took place in the EU during the past couple of decades. After outlining how the current hegemonic bloc was established, paper proceeds with explaining why the implemented changes were so important for the dominant in the EU social forces.

**Résumé: La politique commerciale extérieure de l'Union européenne après le
Traité de Lisbonne : une perspective néo-gramscienne**

Cet essai a pour objectif d'analyser la politique commerciale extérieure de l'Union

européenne au regard de la théorie néo-Gramscienne et suite à la ratification du Traité de Lisbonne en 2009. Cette théorie défend l'idée qu'en dépit de la prétention selon laquelle les changements institutionnels et procéduraux survenus après la ratification du Traité servent l'intérêt général des citoyens de l'UE, ces changements ont été, en réalité, orchestrés par la classe capitaliste transnationale européenne et servent ainsi en priorité les intérêts de ce groupe. L'essai commence tout d'abord par mettre en évidence les principales modifications institutionnelles et procédurales introduites par le Traité de Lisbonne, tout en y exposant brièvement ses principales répercussions pour l'UE. Par la suite, la logique derrière la mise en place de ces changements est expliquée par les développements socio-économiques qui se sont opérés dans l'UE au cours des dernières décennies. Après avoir démontré de quelle manière le bloc hégémonique actuel fut établi, cet essai tente d'expliquer pourquoi les changements mis en oeuvre ont été si importants pour la classe dominante parmi les forces sociales de l'UE.

Keywords: *Historical Materialism, Neo-Gramsci, Treaty of Lisbon, EU, trade policy.*

Introduction

In this paper, institutional and procedural changes that have taken place in the EU as a result of the ratification of the Treaty of Lisbon in 2009 are analyzed and evaluated in respect to their effect on the European Union's external trade policy. In particular, rationale for the implemented changes is identified in a broader socio-economic context that was shaping the EU during the past couple of decades. It is important to understand why the EU has not made any significant changes to the existing trade paradigm despite the fact the recent financial crisis had a significant impact on the external trade balance of a number of its member states. Since most of the research on the European integration is conducted using mainstream theories that focus largely on the institutional form of process rather than on the socio-economic one, this research can fill in the missing gap in the recent literature on European integration. It is important to understand not only what powers were transferred from national to supranational level, but also why those powers were transferred. Therefore, this paper aims to answer the following question: *how can we explain the institutional and procedural changes to the European Union's external trade policy after the ratification of the Treaty of Lisbon?*

1.1 Historical Background

Since the very creation of the European Union trade policy was considered to be one of the most important tools in pursuing its foreign policy interests.

External trade has been under the EU competence since the Treaty of Rome entered into force in 1959, signifying the creation of the European Economic Community (EEC). At that time, the Common Commercial Policy was based on the three key principles: common external tariff, common trade agreements with non EEC states and the uniform application of trade instruments by the signatory states.¹ While the Treaty of Rome required signatory states to follow common principles in their trade policy, member states (MS) were free to sign their own bilateral investment treaties with other parties to provide protection against unfair expropriation or fund repatriation, which provided them with an instrument to influence inward and outward FDI flows.² In short, while some powers were delegated to the European Community, the most important issues required ratification by the EU institutions as well as national parliaments of the member states. Those were the so-called 'mixed' agreements.³ To put it simply, all important decisions had to be ratified by national parliaments before they could be officially adopted. For instance, if a given EU member state wanted to sign a trade agreement with a non-EU country, it had to ask the European Commission to negotiate the agreement which later had to be approved by the Council.⁴ In case a country that initiated negotiations was not satisfied with the outcome of negotiations, it had an opportunity to either veto the agreement through national parliament, or do so in the Council by asking for unanimity vote. As a result, the Commission had to continue negotiations until all the parties were satisfied in order to ratify a trade agreement. As a result, between 1958 and 2009 close to 1200 Bilateral Investment Agreements were concluded by the EU member states and non-EU countries.⁵

However, the ratified in 2009 Treaty of Lisbon introduced a couple of important changes to the way the European Union operates, extending its exclusive competence to a number of new areas and changing the mechanism of decision-making. For instance, national parliaments no longer need to ratify

¹ S. Meunier, K. Nicolaïdis, *Who Speaks for Europe? The Delegation of Trade Authority in the EU*, in "Journal of Common Market Studies", Vol. 37, No. 3, p. 479.

² R. Leal-Arcas, *The European Union's Trade and Investment Policy after the Treaty of Lisbon*, in "Journal of World Investment & Trade", Vol. 11, no. 4, August 2010, p. 487.

³ S. Meunier, K. Nicolaïdis, *op. cit.*, p. 480.

⁴ Stephen Woolcock, *The potential impact of the Lisbon Treaty on European Union External Trade Policy* in *Swedish Institute for European Policy Studies*, June 8, 2008, p. 2. Available online at <http://www.sieps.se/sites/default/files/427-20088epa.pdf>. Last accessed: May 19, 2013.

⁵ European Commission (2014), *Trade: South Korea*. Available online at <http://ec.europa.eu/trade/policy/countries-and-regions/countries/south-korea>. Last accessed: June 6, 2014.

trade agreements, and investment related issues are now guided by the Common Commercial Policy.⁶ As a result, the direct influence of the EU member states on trade agreements was decreased by the new treaty. At the same time, while the argument is that the mentioned above changes were introduced to create a level playing field for all member states as well as increase the EU competitiveness on a global market, some scholars argue that only a small number of powerful interest groups benefited from this increase in the EU competence.⁷

In this paper, neo-Gramscian theory will be applied to analyze the rationale behind the changes introduced by the Treaty of Lisbon to explain whose interests stand behind those ideas. It is clear that this process needs to be studied in the light of past practice, taking into account the broader economic and political factors shaping the European Union. Neo-Gramscian concepts of hegemony, class struggle and historical blocs are very useful for this kind of analysis, as they specifically deal with the process of interest articulation and its placement on the public agenda. However, before moving to analysis, it is important to explain the institutional changes introduced by the Treaty of Lisbon and their effect on decision-making in the European Union.

1.2 Institutional Changes after the Treaty of Lisbon

Perhaps the most notable and important change introduced by the Treaty of Lisbon is that in 2009 the European Union received a legal personality that enabled it to sign international agreements and treaties in its own name. Now it has exclusive competence over trade policy, including external trade and investment policy decision-making, and agreements no longer need to be ratified by the national parliaments.⁸ This means that there are no more mixed trade agreements, just the EU-wide ones.⁹

⁶ R. Leal-Arcas, *op.cit.*, p. 502.

⁷ G. Zarotiadis, A. Gkagka, *European Union: a diverging Union?*, in "Journal of Post Keynesian Economics", Summer 2013, Vol. 35, No. 4, pp. 537-568; S. M. McGuire and J. P. Lindeque, *The diminishing returns to trade policy in the European Union*, in "Journal of Common Market Studies", 2010, Vol. 48, no. 5, pp. 1329-1349; Manfred Elsig, *European Union trade policy after enlargement: larger crowds, shifting priorities and informal decision-making*, in "Journal of European Public Policy", 2010, Vol. 17, no. 6, pp. 781-798, DOI: 10.1080/13501763.2010.486975.

⁸ Leal-Arcas, *op. cit.*, p. 464.

⁹ Stephen Woolcock, *The potential impact of the Lisbon Treaty on European Union External Trade Policy*, in "Swedish Institute for European Policy Studies", June 8, 2008. Available online at <http://www.sieps.se/sites/default/files/427-20088epa.pdf>. Last accessed: May 19, 2013.

The other noticeable change is that now all trade-related decisions have to be co-ratified by both the European Parliament and the Council. Prior to 2009 the European Parliament was often consulted before important decisions were passed, but this was not a legal requirement. Its consent was not required to ratify trade or investment agreements before Lisbon, but now it is.¹⁰ Thus, after the ratification of the Treaty of Lisbon, the European Parliament became a co-legislator, together with the Council.

Furthermore, under the new rules, the combined presidency of the European Council and the Council by a single member state was abolished, with the European Council now having a permanent President appointed for two and a half years.¹¹ As a result, instead of national leaders, it is now an appointed European Council President who plays a key role in the operation of this institution. For instance, during the 2004 Irish Presidency it was the prime minister of this country who chaired the meetings of the European Council. However, during the 2013 Irish Presidency all meetings of the European Council were chaired in Brussels by President Herman van Rompuy.¹² Hence, the role of rotating presidency was reduced to committee and working-group level.

Moreover, a position of High Representative of the Union for Foreign Affairs and Security Policy was introduced, replacing the role traditionally played by the Foreign Minister of the state that holds presidency in the Council. This position was also supported by formation of the European External Action Service (EEAS).¹³ Thus, role of the Presidency has now changed to supporting the work of the newly introduced actors. And even though foreign policy decision-making is still mainly done on the intergovernmental level, it is the head of the EEAS who represents the European Union at the important international forums.¹⁴

¹⁰ European Commission (2014), *Policy-Making*. Available online at <http://ec.europa.eu/trade/policy/policy-making/>. Last accessed: April 22, 2014.

¹¹ A. Batory, U. Puetter, *Consistency and diversity? The EU's rotating trio Council Presidency after the Lisbon Treaty*, in "Journal of European Public Policy", Vol. 20, Issue no. 1, 2013.

¹² Irish Presidency of the Council of the European Union (2013), *What is the EU Presidency Irish Presidency of the Council of the European Union 2013*. Available online at: <http://www.eu2013.ie/ireland-and-the-presidency/about-the-presidency/what-is-the-eu-presidency/>. Last accessed: June 30, 2013.

¹³ European Union, *About CSDP - Overview. European Union - European External Action Service*. Available online at http://eeas.europa.eu/csdp/about-csdp/index_en.htm. Last accessed: April 24, 2014.

¹⁴ Anthony Luzzatto Gardner, Stuart E. Eizenstat, *New Treaty, New Influence: Europe's Chance to Punch Its Weight*, in "Foreign Affairs", March/April 2010, p. 108.

In addition, qualified majority vote (QMV) requirement in the Council was modified by the Treaty of Lisbon. A new principle of 'double majority' was introduced.¹⁵ After November 1, 2014, the vote of at least 55% of the Council members representing at least 65% of the European population and 15 member states is enough to pass international agreements or decisions related to trade matters. In addition, in order to block a decision, at least four member states have to vote against it. This mechanism replaced the unanimity requirement that was traditionally used in the Council. As a result, if one of the member states is not satisfied with the way the Commission has negotiated an agreement - there is not much it can do to change it.

The other notable change is that now Common Commercial Policy (CCP) has to operate in a broader framework of EU's external action.¹⁶ Therefore, all elements of EU's external action, no matter whether it is security or trade policy, are now submitted to the same principles, which include human rights, good governance, environmental protection, etc. This means that non-economic objectives are now considered to be as important as economic ones during the trade negotiations. In addition, as was already mentioned earlier, foreign direct investment is now a part of the Common Commercial Policy.¹⁷ Since the EU has an exclusive competence over the latter, individual member states have lost their authority to sign new Bilateral Investment Treaties.

1.3 Implications for the EU

The fact that since ratification of the Treaty of Lisbon Common Commercial Policy has to operate under the general framework of EU's external action creates a possibility for political considerations to play a greater role during the negotiation of trade agreements. There is a danger that inclusion of, for example, social or environmental clauses could be used to justify indirect expropriation. It also raises a question of whether the EU's external trade policy will be used to pursue foreign policy more than it has been the case to date.¹⁸

¹⁵ *European Union* in "Summaries of EU legislation. Glossary: Qualified Majority." Available online at http://europa.eu/legislation_summaries/glossary/qualified_majority_en.htm. Last accessed: April 27, 2014.

¹⁶ A. Dimopoulos, *The Common Commercial Policy after Lisbon: Establishing parallelism between internal and external economic policy*, in "Croatian Yearbook of European Law and Policy", University of Zagreb, Vol. 4, 2008, p. 102.

¹⁷ *Ibid.*, p. 108.

¹⁸ Stephen Woolcock, *op. cit.*, p. 2. Available online at <http://www.sieps.se/sites/default/>

Furthermore, exclusive competence of the European Union in external trade policy has led to elimination of national parliaments from decision-making not only in this field, but in Common Commercial Policy as a whole. Now a single member state can do very little if it is not satisfied with the negotiated agreement. The European Union's new competence for foreign direct investment means that the member states can no longer conclude Bilateral Investment Treaties (BITs) without the EU's prior consent.¹⁹ Taking into account the fact that over the last decades FDI flows to and from the EU increased significantly and have become just as important as trade when it comes to economic growth, this change could have a significant impact on economic development of some member states.

It is also important to note that while most of the changes introduced by the Treaty of Lisbon were supposed to positively affect the EU's external trade, there remains significant variation in the usage of intra-EU and external trade between various EU member states. Most of the newly joined MS are usually much more dependent on intra-EU trade, and therefore do not see external trade to be very important for their growth.²⁰ However, the European Commission has recently announced that by 2015 90% of the world's growth will be generated outside Europe and that there is a need to "seize an opportunity of higher levels of growth abroad".²¹ As a result, European businesses are becoming increasingly outward-oriented and rely on new markets for growth.

There are also a lot of discussions regarding introduction of the new QMV scheme since it was one of the main obstacles in the reform of the Nice Treaty.²² The idea that the shift of powers from the national parliaments to the European Parliament would democratize decision-making in the EU is often contested. Few

files/427-20088epa.pdf. Last accessed: May 19, 2013.

¹⁹ Christopher Herrmann, *The Treaty of Lisbon Expands the EU's External Trade and Investment Powers*, in "American Society of International Law Insight", Vol. 14, Issue 29, September 21, 2010. p. 3. Available online at: <http://www.asil.org/insights/volume/14/issue/29/treaty-lisbon-expands-eu%E2%80%99s-external-trade-and-investment-powers>. Last accessed: April 25, 2014.

²⁰ Manfred Elsig, *European Union trade policy after enlargement: larger crowds, shifting priorities and informal decision-making*, in "Journal of European Public Policy", 2010, Vol. 17, no. 6, p. 782, DOI: 10.1080/13501763.2010.486975.

²¹ European Commission. *Trade, Growth and World Affairs: Trade Policy as a Core Component of the EU's 2020 Strategy*, Brussels, 9. 11. 2010, COM(2010)612. p. 4. Available online at: http://trade.ec.europa.eu/doclib/docs/2010/november/tradoc_146955.pdf. Last accessed: April 26, 2014.

²² D. Varela, J. Prado-Dominguez, *Negotiating the Lisbon Treaty: Redistribution, Efficiency and Power Indices*, in "AUCCO Czech Economic Review", 2012, Vol. 6, no. 2, p. 107.

would agree that this was an equal substitute, given that some member states may have as much as 96 representatives, while others - as few as six.²³ As a result, MS can now affect the trade negotiations either by delegating their experts to various committees or through their vote in the Council. However, as was already discussed earlier, under the new scheme the disapproval of at least four member states is required to block the decision from being passed. As a result, individual member states can do little to influence the European Union's decisions even if those are not in favour of their interests. This is especially the case for the smaller states that may not have the capacity to delegate the desired number of experts to the EU. Some scholars claim this has led to the increased importance of informal processes at the EU level. For instance, an ambassador of a medium-sized member state has recently said that the important decisions are made by big states outside the Council chamber.²⁴ This points to the fact that concentration of power at the EU level implemented in order to improve effectiveness of decision-making in the EU has in fact resulted in more informal decision-making.

Furthermore, some experts claim that the Treaty of Lisbon is almost identical to the Constitutional Treaty that failed to be ratified just a few years prior to Lisbon because of the fear that it would transfer too much power to already mighty institutions.²⁵ It is believed that the text of the Lisbon Treaty was deliberately made difficult to understand for ordinary citizens, so that there would be less opposition. For instance, the Treaty of Nice was 87 pages long, the Treaty of Amsterdam – 144, while the Lisbon Treaty is 271 pages long and used a lot of technical terms that only experts can understand.²⁶ It is also important to note that as compared to the previous treaties that simply established institutional rules, the Treaty of Lisbon includes specific policy measures that have to be taken in certain situations.²⁷

²³ A. Niemann, *Conceptualising Common Commercial Policy Treaty Revision: Explaining Stagnancy and Dynamics from the Amsterdam IGC to the Treaty of Lisbon*, in "European Integration online Papers-EIoP", 2011, Vol. 15, no. 6, p. 25.

²⁴ Q. Peel, *A profitable union – enlarged Europe finds new ways to work*, in "Financial Times", May 1, 2008. p.11; Manfred Elsig, *op. cit.*, pp. 781-798, DOI: 10.1080/13501763.2010.486975

²⁵ C. H. Church, D. Phinnemore, *Understanding the Treaty of Lisbon*, in "Romanian Journal of European Affairs", 2010, Vol. 10, no. 2, p. 8.

²⁶ *Ibid.*, p. 9.

²⁷ R. Leal-Arcas, *The European Union and new leading powers: towards partnership in strategic trade policy areas*, in "Fordham International Law Journal", 2008, vol. 32, no. 2, p. 345.

The discussed above changes have caused fear that certain political and economic groups may receive preferential treatment because of their influence over the European Parliament and other EU institutions. For instance, it is argued that the Commission gives favourable access to actors with similar preferences.²⁸ In addition, it is a matter of fact that a number of large interest groups regularly consult the EU experts during various informal events and meetings. A lot of research is done about the role of the European Roundtable of Industrialists (ERT) in shaping the European Union's policies. For instance, Bastian van Apeldoorn argues that elite platforms like ERT play a decisive role in shaping political interests and even ideologies of the European states and the European Union in general. This group acts as a platform where general class interests of European transnational capital are being shaped and long-term strategy shaping European socio-economic governance is formed.²⁹ Their economic power often transcends to political power since all the national governments are looking for economic development and therefore are interested in maintaining good working relations with economic elites. According to Hubert Buch-Hansen, high mobility of transnational capital and dependency of national governments on jobs and wealth created by transnational companies creates dependency of the former on the latter.³⁰ Therefore, the increased concentration of power in the hands of the EU officials after the ratification of the Treaty of Lisbon made it easier for such elite groups to pursue their interests and compete against similar groups in other parts of the world.

2. Theoretical background

Unfortunately, orthodox theories are not able to accurately conceptualize power relations that exist on the European arena. They fail to recognize that the capital and the state are internally related and that state power cannot be abstracted from the power of capital.³¹ Very often national policy preferences are simply taken for granted and little is done to investigate their link to

²⁸ Manfred Elsig, *op. cit.*, p. 790, DOI: 10.1080/13501763.2010.486975.

²⁹ B. Apeldoorn, *Transnational Class Agency and European Governance: The Case of the European Roundtable of Industrialists*, in "New Political Economy", 2010, Vol. 5, no. 2, p. 165. DOI: 10.1080/713687772.

³⁰ H. Buch-Hansen, *Freedom to compete? The cartelization of European transnational corporations*, in "Competition & change", 2012, Vol. 16, no. 1, p. 23.

³¹ B. Apeldoorn, N. de Graaff, H. Overbeek, *The Reconfiguration of the Global State-Capital Nexus*, in "Globalizations", 2012, Vol. 9, no. 4, p. 472.

interests of groups that form the basis of state authority. Although some mainstream theories do try to account for power relations and special interests, they often do so in relation to certain elements of European integration, rather than the process as a whole. For instance, according to Bastian van Apeldoorn and Sandy Hagerb, the current debate is more focused on the institutional form of the process rather than on the socio-economic one. Therefore, instead of looking at the process of interest articulation, most scholars follow neo-functional perspective and examine the extent to which power has been transferred from national to supranational level.³²

In contrast, neo-Gramscian approach, also referred to as transnational historical materialism, captures the whole picture. It allows us to trace back the origin of existing ideological hegemony. By investigating the role of various state and non-state actors we can better understand the underpinnings of changes introduced by the Treaty of Lisbon. According to this theory, social relations are being constituted transnationally in a spatial domain that is not defined in terms of national boundaries.³³ It places a lot of importance on the role of ideas and their relation to construction of meaning, as well as its contestation and interpretation. The neo-Gramscian scholars reject reductionism and break with state-centrism that, as was discussed before, is still a key assumption in most mainstream theories.³⁴ Instead, they focus on the role and interplay of social forces and historical structures. The latter, according to Robert Cox, consist of three spheres of activity: the social relations of production; the forms of state, consisting of historically contingent state/civil society complexes; and the world orders.³⁵ Furthermore, within each of the three spheres, ideas, material

³² B. Apeldoorn, S. B. Hager, *The social purpose of new governance: Lisbon and the limits to legitimacy*, in "Journal of International Relations and Development", 2010, Vol. 13, no. 3, p. 211.

³³ B. Apeldoorn, H. Overbeek, M. Ryner, *Theories of European Integration: A Critique*, in A. W. Cafruny, M. Ryner (eds), *A Ruined Fortress? Neoliberal Hegemony and Transformation in Europe*, Oxford, Rowman and Littlefield, 2003, p. 35.

³⁴ H. Overbeek, *Transnational Historical Materialism: Theories of Transnational Class Formation and World Order*, In R. P. Palan (Ed.), *Global Political Economy. Contemporary Theories* (2nd, revised and expanded, edition), London, Routledge, 2000, p. 168.

³⁵ R. W. Cox, *Social forces, states and world orders: Beyond international relations theory*, in "Millennium: Journal of International Studies", 1981, Vol. 10, no. 2, pp. 135-138; A. D. Morton, *Social Forces in the Struggle over Hegemony: Neo-Gramscian Perspectives in International Political Economy*, in "Rethinking Marxism: A Journal of Economics, Culture & Society", 2003, Vol. 15, no. 2, p. 156, DOI: 10.1080/0893569032000113514.

capabilities and institutions interact to establish a historical structure.³⁶

Neo-Gramscian scholars believe that social relations of production may give rise to certain social forces, which in turn could become the basis of state power. Therefore, rather than taking the state as a given the neo-Gramscian perspective considers historical construction of various forms of state as well as the social context of political struggle. The rival groups constantly compete by articulating their interests through various lobby groups, forums, committees, associations, working groups, and other available channels. This helps them shape policy discourses that effect decision-makers at various levels of governance.³⁷ Consequently, a state is not simply an institutional mechanism used to govern, but an “entire complex of practical and theoretical activities with which the ruling class not only justifies and maintains its dominance, but manages to win the active consent of those over whom it rules”.³⁸ An important role here is assigned to the concept of control, which, according to Henk Overbeek, expresses the ideological and “hegemonic structure of particular historical configuration of capital,” and is used to organize and direct the hegemony of ruling class.³⁹

Hegemony is understood as an expression of a broadly based consent manifested in the acceptance of ideas. Most frequently it is backed up by material resources and institutions. However, this dominance is not only physical, but also ideological, cultural and institutional one since, as was explained earlier, neo-Gramscians avoid reductionism and believe that ideas and material conditions are always bound together and are mutually reinforcing.⁴⁰ The expansion of hegemony is orchestrated by organic intellectuals who consolidate the social forces they come from and develop a hegemonic project that transcends the particular interests of their social group into a historical bloc. The latter concept refers to the way in which leading social forces establish a relationship with their rivals. It implies integration of various class interests that exist in the society.⁴¹ Successful historical bloc implies a rule based on

³⁶ A. Bieler, A. D. Morton, *A critical theory route to hegemony, world order and historical change: neo-Gramscian perspectives in International Relations*, in “Capital & Class”, 2004, Vol. 28, no. 1, p. 88.

³⁷ B. V. Apeldoorn, S. B. Hager, *op. cit.*, p. 215.

³⁸ A. Gramsci, *Selections from the Prison Notebooks*, translated and edited by Quintin Hoare and Geoffrey Nowell Smith, in A. Bieler, A. D. Morton, *op. cit.*, p. 94.

³⁹ H. Overbeek, *op. cit.*, p. 174.

⁴⁰ A. Bieler, A. D. Morton, *op. cit.*, p. 87.

⁴¹ A. D. Morton, *op. cit.*, p. 157, DOI: 10.1080/0893569032000113514.

consent, rather than on forceful domination.⁴² At the same time, according to Gill, hegemony is not always a pre-requisite for the establishment of a historical bloc.⁴³ In some cases dominance over opponents could be sufficient for its establishment.

In sum, transnational historical materialism is capable of conceptualizing the structuration of power relations among various European and international political and economic groups. It helps explain how the social underpinnings of the current European order shape the principles of social organization in Europe. The neo-Gramscian perspective “does not take institutions and social and power relations for granted but calls them into question by concerning itself with their origins and how and whether they might be in the process of changing”.⁴⁴ It allows to investigate how new practices emerge, and what forces may have the potential to change or transform the prevailing order.⁴⁵ The fact that neo-Gramscians try to move beyond economism is very important since it allows us to assign equal importance to ideas, institutions, and material capabilities.⁴⁶ As such, a transnational historical materialism develops “a dialectical theory of history concerned not just with the past but with a continual process of historical change and with exploring the potential for alternative forms of development”.⁴⁷

3. Analysis

3.1 Transnational Capitalist Class in the EU

In order to analyze the procedural and institutional changes introduced as a result of the Treaty of Lisbon it is important to understand the broader socio-economic situation in Europe during the preceding years. According to Angela Wigger & Hubert Buch-Hansen, a major shift in the consolidation of power at the European level occurred during the late 1980s.⁴⁸ It was during this time that the

⁴² R. Cox, *op. cit.*, p. 139.

⁴³ S. Gill, *Gramsci, Historical Materialism, and International Relations*, Cambridge, Cambridge University Press, 2010, p.40; A.D. Morton, *op. cit.*, p.157, DOI: 10.1080/0893569032000113514.

⁴⁴ R. Cox, *op. cit.*, p. 129.

⁴⁵ A. Bieler, A. D. Morton, *op. cit.*, p. 86.

⁴⁶ P. Burnham, *Neo-Gramscian hegemony and the international order*, in “Capital and Class”, 1991, Vol. 15, no. 3, p. 83.

⁴⁷ Robert Cox, *op. cit.*, p. 129; A. D. Morton, *op. cit.*, p.154, DOI:10.1080/0893569032000113514.

⁴⁸ H. Buch-Hansen, A. Wigger, *Explaining (missing) regulatory paradigm shifts: EU*

idea of increased competitiveness as a key to the EU's growth started to gain prominence. Free competition and move away from previously popular protectionist policies started to be presented as a key to economic growth in Europe. According to Ferdi De Ville and Jan Orbie, the neoliberal approach to the EU's trade policy started to become noticeable in the mid-1990s and could be linked to the increase in the power of transnational capitalist class in Europe.⁴⁹ During this time European businesses started to expand their trade activities on a global scale and were no longer focused on trade solely with former European colonies or immediate neighbours. Most scholars agree that this was a universal trend that has led to the establishment of a neoliberal hegemony by the transnational capitalist class in many regions of the world during the late 1980s and early 1990s. It is important to note that transnational capitalist class is not only limited to those who own and control the TNCs (the corporate fraction), but also includes globalizing bureaucrats and politicians (the state fraction); globalizing professionals (the technical fraction); and merchants and media (the consumerist fraction).⁵⁰

The neoliberal approach promoted by transnational capitalist class especially benefited its financial fraction since it played a key role in the expansion of European businesses abroad. Transnationalization of production and rapid integration of supply chains required significant financial inflows from European financial institutions.⁵¹ In the early 1990s an increasing number of European businesses adopted an outward-oriented business models and became dependent on external markets for their growth due to the anticipated macroeconomic developments and demographic situation in Europe.⁵² In addition, global competitors pressured European companies to increase the scale of their businesses as well as outsource certain stages of the production process to areas with lower production costs.⁵³

competition regulation in times of economic crisis, in "New Political Economy", 2014, Vol. 19, no. 1, p. 121.

⁴⁹ F. De Ville, J. Orbie, *The European Union's trade policy response to the crisis: paradigm lost or reinforced?*, in "European Integration Online Papers", 2011, Vol. 15, Article 2, p. 8.

⁵⁰ L. Sklair, *Democracy and the Transnational Capitalist Class*, in "The ANNALS of the American Academy of Political and Social Science", 2002, Vol. 581, no. 1, p. 145.

⁵¹ H. Buch-Hansen, A. Wigger, *op. cit.*, p. 129.

⁵² F. De Ville, J. Orbie, *op. cit.*, p. 17.

⁵³ B. Jessop, N. L. Sum, *Beyond the regulation approach: putting capitalist economies in their place*, in "Journal of Economic Geography", 2007, Vol. 7, no. 1; H. Buch-Hansen, A. Wigger, *op. cit.*, p. 122.

As a result, European productive and financial capital became highly interdependent, which led to formation of new class identities and interests. For instance, according to Eelke Heemskerk, European corporate elite has abandoned its neo-mercantilist beliefs and started to promote increased competitiveness as the most important objective for the European Union.⁵⁴ This was done not only through simple lobbying that seeks to influence political decision-making, but also at a higher level by shaping the discourse in which European decision-making is embedded.⁵⁵ Organic intellectuals of the new European elite were able to frame these issues as being of general interest of European public by spreading the norms and values of European transnational businesses not only at a national level, but also at the European one. Neoliberal policies seemed to achieve a default status during this time and were used more and more frequently used in various sectors of the European economy. In neo-Gramscian terms we can describe this process as formation of the historical bloc necessary for the establishment of the hegemony of the dominant class.

When trying to comprehend why the current European Union's external trade policy is so much reflective of interests of the European transnational businesses we need understand that institutions have always been the most important tool used to strengthen and spread ideas of the dominant social forces. Hence, the EU institutions play a particularly important role in this scheme. According to Ferdi De Ville & Jan Orbie, "the Commission cannot only be seen as an actor who pursues specific trade interests and ideas, but also as a structure of hegemonic ideas and interests on trade relations in Europe".⁵⁶

Much success in the spread of new norms, ideas and values across the EU can be attributed to the framing used by organic intellectuals representing dominant social forces when describing the emerging issues during the past years. Leading social forces were very successful in spreading a particular worldview across Europe using their influence on member state governments and the EU institutions as well as through civil society. Research conducted by numerous scholars has already demonstrated that various grassroots organizations, NGOs, advocacy networks and other civil society actors have a substantial impact on the creation of norms and their diffusion into the domestic

⁵⁴ E. M. Heemskerk, *The Rise of the European Corporate Elite: Evidence from the Network of Interlocking Directorates in 2005 and 2010*, in "Economy and Society", 2013, Vol. 42, no. 1, p. 76.

⁵⁵ B. v. Apeldoorn, *op. cit.*, p. 165. DOI: 10.1080/713687772.

⁵⁶ F. De Ville, J. Orbie, *op. cit.*, p. 7.

practices.⁵⁷ For instance, it is argued that created by the ERT European Centre for Infrastructure Studies played an important role in persuading the EU to adopt a number of policies related to infrastructure in transport and energy sectors, as well as in establishment of the Trans-European Networks that was created to boost economic growth and employment in these sectors.⁵⁸ There are many more similar examples.

As a result, through their influence on domestic and international level organic intellectuals of the dominant class are able to keep the emerging discussions about EU's trade policy within the prevailing frame that is based on assumptions imposed by them. A gradual diffusion of norms and values of the dominant class that was taking place during the past two decades helped spread, legitimize and institutionalize their beliefs as being universal. As was mentioned before, ideas play a very important role in the construction of meaning, its contestation and interpretation, therefore shaping our worldview. Thus, even despite a poor economic situation in a number of European states after the recent economic crisis there were not many discussions about the need to change the current trade policy to a more protectionist one as it was the case during the similar economic shocks in the past. Instead, further liberalization is seen to be the cure, while requests for protection of European industries are depicted in a negative way and are associated with worsening of the crisis, as it was the case during the Great Depression.⁵⁹ Neoliberal discourses of competitiveness and open market seem to be default in EU's trade policy, and if crisis occurs it is immediately linked to some trade distortions. Discussions are focused more on the correction of the current trade framework rather than on its change.

From a neo-Gramscian perspective this situation can be interpreted either as a sign that other fractions of capital are too weak to organize themselves to challenge the dominance of the established historical bloc, or that that they are satisfied with the current balance of power and work together with the hegemon to pursue shared interests. It seems like different fractions of capital at the European level are not yet ready to establish an alternative configuration of social forces that would offer a new framework for external trade. Explanation to this claim will be provided in the following section of this paper. For now, it important to remember that European institutions have consistently framed recent economic crises as crises of financial sub-domain of the global capitalist

⁵⁷ T. Risse, *Transnational Actors and World Politics*, in Walter Carlsnaes, Thomas Risse, Beth Simmons (eds.), *Handbook of International Relations*. London, Sage, 2002, p. 266.

⁵⁸ L. Sklair, *op. cit.*, p. 146.

⁵⁹ F. De Ville, J. Orbie, *op. cit.*, p. 9.

system, shifting attention away from the structural flaws of the system. According to Ferdi De Ville & Jan Orbie, by shifting focus on issues like the lack of financial regulation or irresponsible behavior of investment bankers European political elites were able to frame the problem as originating as a result of miscalculations of certain individuals within the global financial subsystem.⁶⁰ Therefore, attention was successfully driven away from the negative externalities of trade liberalization.

3.2 The struggle for power within the EU

As was already mentioned before, despite the fact that a number of European economies have suffered from the 2007 financial crisis, even after the ratification of the Treaty of Lisbon in 2009 there were no major changes to EU's external trade policy. Partly this could be explained by framing of the problem used by dominant social forces, which in turn affected the proposed solutions. Policy alternatives are always selected based on problem specification. Consequently, by manipulating the latter European political and economic elites were able to direct the opinion of decision-makers in to the 'right' direction. The established ideological, cultural and institutional dominance were key in this process.

According to Angela Wigger & Hubert Buch-Hansen, with the arrival of neoliberalism to the EU transnationally oriented productive and financial capital organized themselves against organized labour because of the threat that the latter could undermine the existing capital accumulation regime.⁶¹ The contestation of power is ongoing and recently some European associations representing organized labour have objected to plans of the European Commission to sign free trade agreements with a number of partners. According to Ferdi De Ville & Jan Orbie, large associations like European Metalworkers Federation (EMF), European Automobile Manufacturer's Association (ACEA), the European Confederation of Iron and Steel Industries (EUROFER), the and European Trade Union Federation of Textiles, Clothing and Leather (ETUF-TCL) have publically objected to the negotiated FTA with South Korea due to anticipated negative consequences for their industries.⁶² However, practice has shown that at the moment none of the organized social forces on the European arena is strong enough to challenge the established historical bloc. European

⁶⁰ *Ibid.*, p. 9.

⁶¹ H. Buch-Hansen, A. Wigger, *op. cit.*, p. 122.

⁶² F. De Ville, J. Orbie, *op. cit.*, p. 14.

Union has ratified the agreement and is finalizing FTA negotiations with a number of other partners. The financial and productive fractions of transnational capital in Europe have become too strong to compete against, and by their deliberate actions they try to emphasize that the only way to move forward is to accept the new rules of the game.

Research conducted by Eelke Heemskerk, who investigated relations between European businesses by looking at board interlocks, a situation when one person sits on boards of two or more companies, suggests that cohesion between European businesses has been steadily increasing during the past decade. As a result, political mobilization in Europe is now supported by a "rather elaborate social structure of corporate board interaction and intertwinement".⁶³ This finding is important for the analysis of transnational corporate power since by focusing on interlocking directorates power can be documented empirically.⁶⁴ Board interlocks serve as a platform for the exchange of norms, values and ideas between political and economic elites, and therefore help in spreading the hegemony of the dominant class. In the long run shared norms, values and ideas lead to the convergence of business practices between various connected by board interlocks companies, which in turn leads to the establishment a corporate elite network.

Another documented trend supporting the view that transnational capitalist class dominates in the EU is that board interlocks are now moving beyond national boundaries more than it was in the past. According to research conducted by William Carroll et al, while the proportion of national interlocks has declined during the past decade, the number of interlocks that crossed European borders has actually increased from 26% in 1996 to 33% in 2006.⁶⁵ Therefore, transnational forces were able to materialize their superiority over the national ones. While in the past the practice of accepting board seats in multiple European countries was mainly practiced by a small number of directors with strong pro-European orientation, today this practice has become more widespread.⁶⁶ This indicates that transnational corporate elite in Europe

⁶³ E. M. Heemskerk, *op. cit.*, p. 90.

⁶⁴ Kees Van der Pijl, Otto Holman, Or. Raviv, *The resurgence of German capital in Europe: EU integration and the restructuring of Atlantic networks of interlocking directorates after 1991*, in "Review of International Political Economy", First published on: 19 October 2010.

⁶⁵ W. K. Carroll, M. Fennema, E. M. Heemskerk, *Constituting corporate Europe: A study of elite social organization*, in "Antipode", Vol. 42, no. 4, p. 811-843; E. M. Heemskerk, *op. cit.*, p. 77.

⁶⁶ E. M. Heemskerk, *op. cit.*, p. 95.

was able to establish a strong structural base necessary to promote its interests and is steadily growing.

However, this does not mean that corporate elite is a unitary actor. The contestation of hegemony is an ongoing process. The contest for power never stops even within well-established European lobby and advocacy groups. For instance, a number of prominent globalized European companies including Unilever, Shell and ICI have, at one point of time, terminated their membership at one of the most famous and influential advocacy group in Europe - the European Roundtable of Industrialists.⁶⁷ This shows that differences occur even between seemingly similarly oriented elite groups. As such, according to Andreas Bieler, we need to distinguish between European transnational forces whose production structures are organized across borders within Europe, global forces of capital and labour whose production forces are organized across the world as well as national social forces that depend on direct state assistance.⁶⁸ It is also important to understand that there are also differences in ideological and strategic orientation between different fractions of transnational capitalist class itself.

For instance, Bastian van Apeldoorn has clearly demonstrated that there remain significant differences between neoliberal and neomercantilist fractions of European transnational capitalist class.⁶⁹ While the former fraction is mainly represented by globalized businesses and financial institutions, the latter is mainly composed of large industrial enterprises that operate on the European market and are not yet fully globalized. The neomercantilist fraction is traditionally strong in Scandinavian and Benelux states as well as in Germany and Austria, where economic development is based on suppression of domestic demand in order to maximize external account balance.⁷⁰ According to Keith Van der Pijl et al, in 2004 the capital earned by an export offensive has made Germany the largest exporter in the world in absolute terms, with trade surplus being six times that of China.⁷¹ This example clearly illustrates how important

⁶⁷ Andreas Bieler, *European Integration and Eastward Enlargement: the widening and deepening of neo-liberal restructuring in Europe*, in "Queen's Papers on Europeanisation", 2003, no. 8, p.7. Available online at <http://www.qub.ac.uk/schools/SchoolofPoliticsInternationalStudiesandPhilosophy/FileStore/EuropeanisationFiles/Filetoupload,38406,en.pdf>. Last accessed 22/06/2014.

⁶⁸ *Ibid.*, pp. 5, 7.

⁶⁹ B. v. Apeldoorn, *op. cit.*, p. 167. DOI: 10.1080/713687772.

⁷⁰ H. Overbeek, *Sovereign Debt Crisis in Euroland: Root Causes and Implications for European Integration*, in "The International Spectator: Italian Journal of International Affairs", 2012, Vol. 47, no. 1, p. 38-39, DOI: 10.1080/03932729.2012.655006.

⁷¹ Kees Van der Pijl, Otto Holman, Or. Raviv, *The resurgence of German capital in Europe:*

external trade is for generating economic growth in export-oriented economies. Unlike the neoliberal fraction, neomercantilists are more interested in increasing their exports rather than opening markets for cheap imported goods. On the other side, the common interest they share with neoliberal fraction is having an integrated European market that would allow them to reach a scale necessary to resist pressure from non-European competitors.⁷² According to Andreas Bieler, after seeing the success of their counterparts in U.S. and Japan, the neo-mercantilist fraction of transnational capital started to regard “the fragmentation of the European market as the main cause of their lack of competitiveness”.⁷³ Therefore, both fractions were interested in centralization of decision-making in external trade that was introduced by the Treaty of Lisbon.

In sum, despite seemingly common goals, transnational capitalist class in Europe is actually a union of several distinct groups of national and transnational elites. A need to compete against similar groups from other parts of the world provides European elites with a sense of common identity. Their ideas are articulated through various national and transnational associations, think tanks, expert and lobby groups as well as national and international institutions. We can clearly see that transnational forces have become influential enough to resist protectionist ones since despite economic crisis in a number of European states there haven't been many attempts to replace the current neoliberal paradigm or implement major structural reforms in the most severely affected countries in order to reverse trade flows. Instead, problem is framed as coming from a “competitiveness gap” within the Eurozone.⁷⁴ The latter discourse had over time become key not only in the language used by European transnationals, but in socio-economic discourse in general. This indicates that their ideas are now more naturally accepted by the general public. For instance, European elites have even managed to socialize the costs of the rescued after the crisis financial sector among national taxpayers in the EU without strong objections. Despite the fact that such decisions had a negative effect on a number of EU economies and have further increased inequalities between the EU

EU integration and the restructuring of Atlantic networks of interlocking directorates after 1991, in “Review of International Political Economy”, p. 19, First published on: 19 October 2010.

⁷² B. v. Apeldoorn, *op. cit.*, p. 167. DOI: 10.1080/713687772.

⁷³ Andreas Bieler, *op. cit.*, p. 5.

⁷⁴ O. Holman, *Gramsci's Social Forces: Class and Class Formation and the European Sovereign Debt Crisis*, in Marlies Glasius (ed), *Gramsci for the Twenty-first Century: Dialectics and Translatability*, in “International Studies Review”, 2012, Vol. 14, no. 4, p. 676.

member states, they were still depicted as being of general interest and presented to the general public as unavoidable. As a result, pre-crisis configuration of powers is still not challenged and transnational financial capital continues to be dominant in Europe.⁷⁵ It is a clear example of a successful passive revolution that was happening in Europe since the late 1980s – early 1990s, and as a result of which viewpoints of the dominant class have become a strategic orientation for society as a whole.⁷⁶

3.3. Expansion of the Hegemony

Previous section showed that dominance of the transnational capitalist class has been successfully established in Europe. This section provides an explanation of how the changes introduced by the Treaty of Lisbon benefited the dominant social forces. Since it was already explained how and why the discourses, including that of ‘competitiveness’, were established by the dominant class, this section does not focus much on the process itself. Instead, it discusses how these discourses were used to promote interests of the dominant social forces.

For instance, I believe that transnational capitalist class was interested in consolidating additional powers at the EU level in order to increase its bargaining power on an international arena. Globalization and constant opening of previously closed economies had a contrasting impact on European transnationals. While the international market has become bigger in absolute terms, competition has also intensified. Transnational businesses in developing world were able to benefit from structural advantages of their economies, such as relatively cheap labour and raw materials, or lower environmental standards. In addition, high tariffs in large emerging markets such as China and India provided those countries with additional bargaining power.⁷⁷ As a result, even previously strong transnationals from the United States and Japan have lost their market share to transnationals based in developing countries.⁷⁸

We also have to keep in mind that EU is not a typical international power. Prior to the ratification of the Treaty of Lisbon it could not even sign trade

⁷⁵ H. Buch-Hansen, A. Wigger, *op. cit.*, p.128.

⁷⁶ H. Overbeek, *Global Governance, Class, hegemony: A historical materialist perspective*, in “Working Papers in Political Science”, Vrije Universiteit Amsterdam, 2004/01, p. 5.

⁷⁷ R. Leal-Arcas, *The European Union's Trade and Investment Policy after the Treaty of Lisbon*, p. 467.

⁷⁸ S. M. McGuire and J. P. Lindeque, *The diminishing returns to trade policy in the European Union*, in “Journal of Common market Studies”, 2010, Vol. 48, no. 5, p.1330.

agreements in its own name. There were many discussions about its ability to defend interests of European businesses on international arena. The EU does not have the hard military power as China, US or Russia, and is therefore more dependent on its economic leverage when promoting its interests on international arena. It is its market power that provides European Union with an attribute of an actor.⁷⁹ Consequently, from the EU perspective, international trade is an important instrument to foster political relations.⁸⁰ Declining market power that resulted from rapid growth in other regions of the world was a dangerous sign for European transnational capitalist class. It was clear that something had to be done.

Relative position of a given actor vis-à-vis its opponents could be enhanced by either improving its absolute position, or by worsening that of its competitors. It seems like European transnational capitalist class is working in both directions. The Treaty of Lisbon helped the European elites consolidate substantial powers necessary to strengthen the EU's position as an actor in international trade at the EU level, which was in turn used to weaken the positions of hegemonic groups in other regions of the world by targeting their competitive advantages. For instance, since European transnationals were not able to lower environmental standards in the EU, they worked hard to promote increased standards in other parts of the world. According to European Commission, the EU actively uses its external trade policy to support environmental protection and reverse global warming as well as improve working conditions and access to healthcare in poor states.⁸¹ While on paper this looks like a good cause, in reality it is also a great way to raise costs of doing business for competitors in other parts of the world. Since European Union has already complied with those standards, the cost of such demands for European elites was quite low.

Today the EU is the largest provider of "aid for trade" in the world.⁸² In this sense, the fact that since the Treaty of Lisbon Common Commercial Policy operates under the general framework of EU's external action, thus enabling conditionality in trade, could be interpreted as an attempt by European

⁷⁹ R. Leal-Arcas, *op. cit.*, p. 467.

⁸⁰ *Idem*, *The European Union and new leading powers: towards partnership in strategic trade policy areas*, p. 351.

⁸¹ European Commission. *What is EU's Trade Policy Directorate General for Trade*. NG-80-09-639-EN-D. p. 6. <http://bookshop.europa.eu/en/what-is-europe-s-trade-policy--pbNG8009639>. Last accessed: June 30, 2014

⁸² *Ibid.*

transnational capitalist class to put additional burden on their competitors. It helps them legitimize conditionality and present their interests as coming from the EU citizens. According to Steven McGuire and Johan Lindeque, during trade negotiations the EU frequently demands from its partners to make commitments “they have neither the need nor the capacity to enforce”.⁸³ Such non-realistically high expectations from EU’s trading partners in the developing world can also be interpreted as an attempt to put additional pressure on them, therefore improving the bargaining position of European transnationals.

Moreover, during the past decade the EU was actively supporting the accession of a number of countries to the WTO. For instance, in exchange for their support of China, European companies were able to obtain better conditions when accessing the Chinese market.⁸⁴ At the same time, European businesses also benefited from adoption of market practices by their Chinese counterparts since once WTO membership is granted - countries have to follow all of the obligations that come with it. This view is supported by research conducted by Raphael Leal-Arcas, who claims that the “EU interest in trade has increasingly become one of persuading its trading partners to adopt rules and standards that address non-tariff and regulatory barriers.”⁸⁵ We also have to keep in mind that many principles of WTO are based on Western norms and values that the EU was actively promoting throughout the years. Therefore, European transnational capitalist class has a strong interest in persuading a comprehensive WTO agenda in order to make sure that emerging economies move in to the ‘right’ direction. Even though different WTO members have different regulations on trade defence, all of them have to be in line with the principles of the WTO Agreements.⁸⁶ Raphael Leal-Arcas also notes that “EU is a normative power in that it promotes certain common values and norms or provides a model for other regions on how to regulate integrating markets”.⁸⁷ It has been especially active in promoting regional integration among developing countries based on its model by aggressively influencing the emerging forms of governance in other parts of the world. As practice shows, such involvement is

⁸³ S. M. McGuire and J. P. Lindeque, *op. cit.*, p.1338.

⁸⁴ R. Bustillo, A. Maiza, *An analysis of the economic integration of China and the European Union: the role of European trade policy*, in “Asia Pacific Business Review”, 2012, Vol. 18, no. 3, p. 365, DOI: 10.1080/13602381.2011.626990.

⁸⁵ R. Leal-Arcas, *The European Union's Trade and Investment Policy after the Treaty of Lisbon*, p. 468.

⁸⁶ F. De Ville, J. Orbie, *op. cit.*, p. 13.

⁸⁷ R. Leal-Arcas, *op. cit.*, p. 472.

based on expected economic gains from future trade.⁸⁸ Therefore, European model of regional integration is promoted strategically, mostly in the regions from which European transnationals could later expropriate benefit.

It is important to note that historically transnationals were always dominant in countries with large markets since in smaller states transnational elites found it more difficult to compete against national forces. For instance, vast majority of ERT members come from the large European economies. Keeping this in mind, I would like to provide a quote from an ambassador of a medium sized EU state who said the following about power relations in the Council: "too often, we are getting squeezed out of the debate. Issues tend to be decided by the big ones outside the Council chamber."⁸⁹ This is especially alarming considering the abolishment of the principle of rotating presidency in the Council as well as transfer of co-ratification powers from national parliaments to the European Parliament that has occurred as a result of the Treaty of Lisbon since this has reduced the possibilities for national social forces to influence EUs trade policy decision-making and further strengthened the hegemony of transnational capitalist class in Europe. Besides, it helps European elites present the newly ratified trade agreements as being of general interest to the EU, since co-ratification by the EP helps them solve the democratic legitimacy problem. As a result, now the EU has a clear identity of an actor that allows European transnational capitalist class to pursue its interests on international arena more aggressively.

Changes to the qualified majority vote requirement in the Council could also been interpreted as an attempt to strengthen EU's position during trade negotiations. For instance, Sean Ehrlich notes that qualified majority vote scheme has for a long time weakened EU's bargaining power during international trade negotiations because there was always a danger that the deal could be blocked by one of the member states.⁹⁰ The EC's negotiators simply could not guarantee that the offered conditions will be supported by all members of the Council.

⁸⁸ Idem, *The European Union and new leading powers: towards partnership in strategic trade policy areas*, p. 349.

⁸⁹ Q. Peel, *A profitable Union – enlarged Europe finds new ways to work*, in "Financial Times", May 1, 2008. Available online at <http://www.ft.com/cms/s/0/dc6d3e22-16e2-11dd-bbfc-0000779fd2ac.html#axzz305VT4zoK>. Last accessed: April 27, 2014; Manfred Elsig, *op. cit.*, p. 793, DOI: 10.1080/13501763.2010.486975.

⁹⁰ S. Ehrlich, *How Common is the Common External Tariff? Domestic Influences on European Union Trade Policy*, in "European Union Politics", 2009, Vol. 10, no. 1, p. 118. DOI: 10.1177/1465116508099763.

Although it is not the key aim of this paper, to illustrate the claim presented earlier, I would like to shortly focus on the only free trade agreement signed by the EU after the ratification of the Treaty of Lisbon – the EU-Korea FTA which was successfully ratified and entered into force in July 2011. The deal is considered to be one of the most successful ones in recent history of the EU due to the positive dynamics of trade that it resulted in. After the FTA was signed, the EU exports of fully liberalized products to South Korea increased by 32%, which is more than 3 times higher than that to the rest of the world. Furthermore, the EU's trade balance with South Korea has a positive dynamic and increased from -3.8 billion EUR in 2011 to +4.1 billion EUR in 2013 (European Commission: 2014).⁹¹

However, if we look at details it is easy to uncover that it is mainly financial sector that benefited from the deal and that trade surplus is generated mainly due to exports of services in banking, financial and accounting sectors (European Commission: 2014). If we look at FDI flows, the picture is exactly the same. The table below presents FDI income data for selected countries prior and post FTA with South Korea was signed. Countries were chosen for illustrative purposes.

FDI income with South Korea (million euro)

Country / Year	2008	2009	2010	2011	2012
Germany	132	520	793	822	825
Netherlands	352	222	473	619	485
Sweden	86	-31	217	312	303
France	233	311	343	323	278
Latvia	3	-1	-1	-4	-7
Slovakia	54	-159	-184	-230	-78
Poland	10	-112	-69	-79	-85
Hungary	6	-86	39	-157	-133
EU27	2495	2439	4344	4420	2962
EU15*	1590	1927	3581	4299	3040

⁹¹ European Commission. *Trade: South Korea*. Available online at <http://ec.europa.eu/trade/policy/countries-and-regions/countries/south-korea>. Last accessed: June 6, 2014.

*EU-15 area countries are: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and United Kingdom.

Source: *Eurostat, dataset* [bop_fdi_inc_r2]

We can see that while for the established EU economies, most of which are in the EU15 group, the dynamic of FDI income with South Korea since 2008 is largely positive, this is not the case for most newly accepted member states. This could be explained by the fact that prior to the Lisbon Treaty each member state was able sign its own Bilateral Investment Treaties with foreign states and utilize differences in national investment laws/regulations to offer better conditions for foreign firms. However, since 2009 this is no longer the case. As we can see, improved market access to the European single market has diverted FDI flows away from new and less economically powerful member states, therefore weakening their competitiveness.⁹² As a result, considering the fact that business representatives of the most troubled EU economies are largely absent in the largest European lobby groups⁹³, it is not surprising that during the times of economic crisis in Portugal, Ireland, Greece and Spain the European Commission was heavily involved in FTA negotiations with South Korea from which neither of those states was able to extract significant benefits. Investigating the economic impact of the Treaty of Lisbon on individual member states could be an interesting topic for a separate study.

Conclusions

In this paper, a neo-Gramscian theory was applied to analyze institutional and procedural changes introduced by the Treaty of Lisbon in relation to EU's external trade policy. It was demonstrated that the dominance of the European transnational capitalist class, comprised of TNC owners, globalized bureaucrats and professionals, politicians and the media, is already established at the European level, and that the implemented changes were necessary to expand their hegemony on a global scale. This paper has also provided a historical overview of how this hegemony has been established and showed that currently it is the financial fraction of the transnational capitalist class that is the most influential on European arena. This view was supported by analysis of EU's

⁹² Manfred Elsig, *op. cit.*, p. 787, DOI: 10.1080/13501763.2010.486975.

⁹³ *Ibid.*, p. 792.

response to the recent financial crisis, as a result of which costs of the financial sector rescue were socialized among the EU's taxpayers. It was demonstrated that the dominant class is very persistent in preserving the established historical bloc and is building a foundation to further the acceptance of its ideas within the EU by strategically placing favourable for them discourses at the European level.

As a result, ideas of 'competitiveness' and 'open markets' as a key to economic growth have become almost default in the EU and are actively used even after the 2007-2008 financial crisis. European transnational capitalist class is able to use its dominance at the European level in order to establish a foundation for the expansion of its hegemony on a global scale. A lot of the changes introduced by the Treaty of Lisbon increased bargaining power of European transnationals against their competitors from other regions of the world. At the same time, the selectivity in the choice of trading partners used by the European Commission in the recent years has further strengthened the position of European transnationals.