THE EUROPEAN UNION AND EMERGING POWERS: THE POLITICAL ECONOMY OF EVOLVING RELATIONSHIPS

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Abstract

This paper addresses a key puzzle relating to the role of the European Union (EU) in the global political economy (GPE): the variations and patchiness observable in the EU's relations to emerging powers. The EU is a major actor in the GPE, but it seems to have difficulty in developing a consistent strategy towards its key challengers. We argue that analysis of this puzzle implies a focus on three elements: (1) The significance or salience of relations between the EU and a given emerging power; (2) the degree of actual or perceived sensitivity or vulnerability attending the EU's appraisal of a given relationship; and (3) the capacity of the EU to develop a consistent and effective strategy in response to specific challenges. These three elements generate three interrelated propositions that suggest a close relationship between significance/salience, sensitivity/vulnerability and strategy. In pursuing this argument, we first assess the changing nature of the GPE and the implications of such change; we explore the credentials of the EU as an actor in the GPE; and we identify a set of analytical tools that can help us to investigate the three key elements outlined above. We then proceed to conduct a set of 'plausibility probes' focused on a selected range of the EU's emerging power partners, with the aim of refining and developing our understanding of the three key elements and of their interrelationships. The conclusion to the paper revisits the central propositions and suggests areas for further investigation.

Introduction

On the face of it, the European Union (EU) does not have enormous difficulties in developing strategies towards its key partners among the emerging powers. It has developed a range of 'strategic partnerships' with at least ten emerging economic powers, and has constructed an infrastructure of dialogues, agreements and institutional mechanisms to support them. Large amounts of activity on the part of the European Commission and other Brussels institutions have been generated around not only the formal 'strategic partners' but also a range of other emerging and challenging powers, some of it bilateral, some of it inter-regional in nature. But the overall impression persists that the EU's response to the challenge of emerging powers in the global political economy remains inconsistent and patchy, and varies in effectiveness (Renard and Biscop 2012; Keukeleire and De Bruyn 2017; Smith, M. 2013, 2016a). As a result, the Union's engagement with key international challenges continues to be often fragmented and sub-optimal, and the notion of a comprehensive EU strategy remains elusive.

In this paper, we address the puzzle of EU inconsistency and ineffectiveness by mobilising a range of insights from the existing literature. In particular, we draw upon four linked bodies of ideas: (1) those relating to the changing shape and characteristics of the GPE; (2) those relating to the nature of the EU as an actor in the GPE, and the roles it plays; (3) those from the International Political Economy literature dealing with 'complex interdependence' and 'competitive interdependence'; (4) those relating to the problem of strategic action and strategic diplomacy in the EU. From the first of these areas, we draw a set of ideas about shifting patterns of activity and economic power, and about actual or potential global power shifts, which frame the types of challenges the EU faces from emerging powers. From the second, we draw ideas about the 'actorness' of the EU and the roles it plays in the GPE. From the third, we draw ideas relating to the growth of complex and competitive interdependence, and in particular to notions of sensitivity and vulnerability, and to the types of strategies that can be adopted to deal with and profit from changing conditions. From the fourth, we draw insights about the EU's capacity to mobilise resources, deploy instruments, construct linkages and achieve leverage over specific partners in the GPE, linking to ideas about strategies in complex and competitive interdependence.

On this basis, we pursue three interrelated propositions. First, we argue that it is possible to establish an assessment of *significance and salience* in relation to the EU's links with key emerging powers. Second, we argue that this measure of significance and salience can be extended into an assessment of the *sensitivity and vulnerability* attending the EU's relations with particular emerging powers. Third, we argue that on the basis of an assessment of significance/salience and sensitivity/vulnerability, we can develop an analysis of EU *strategies* and of the variability and patchiness outlined earlier in this Introduction. In so doing, we address issues that are at the core of the recent EU debates about trade strategy (in *Trade for All*) (European Commission 2015) and broader global strategy (in the EU's *Global Strategy Paper*) (European Union 2016), in terms of resources and their mobilisation and of the ability to shape 'joined up' external action. We also go beyond a simple presentation of a 'snapshot' of the current position, to underline the dynamism and evolutionary character of the relationships and responses that we are studying.

The paper proceeds in two major sections. In the first, we identify the context for EU actions, the challenges that emerge from that context, and the analytical tools we can use to pursue our investigation. This section ends with a set of three propositions, as outlined above, in relation to the challenges facing the EU and the Union's capacity to respond to them. In the second section, we conduct a series of 'plausibility probes' designed to provide brief evaluations of a range of EU relationships with emerging powers in the GPE. The Conclusion to the paper discusses the initial propositions in light of the evidence from the 'plausibility probes', and suggests further areas for investigation and development.

Contexts, challenges and approaches

The first key element in the context for our investigation is the changing nature of the global political economy. Shifting patterns of economic activity and economic power have been a central part not only of the broad context facing the EU in its external action, but also of the specific areas in which challengers have emerged and challenges have occurred (Smith M. 2013). The impact of globalisation has generated intense interconnectedness, but also severe unevenness and insecurity – both at the level of national or regional economies and at the level of individuals and communities. As a result, there has been growing awareness of a global power shift, from the established economic powers of western Europe and North America to emerging powers in Asia and Latin America; in turn, this global power shift has put pressure on established institutions and rules, given that emerging powers do not necessarily or completely share the assumptions of a 'western' liberal economic order (Alcaro, Peterson and Greco 2016; Kupchan 2012; Nye 2017). There is here a double challenge: in the first place, from the consequences of western forms of globalisation, and in the second place, from the rise of non-western responses to globalisation and to the institutions and rules created by the established powers.

Among the 'established powers' in the GPE, the EU holds a central place; indeed, in many senses it is a creation of the established multilateral system and its rules. It thus has a profound stake in the continuation of the system in which it was founded and has (mainly) flourished. Yet the EU's place and its role in the GPE is a source of ambiguity and contention, because of its hybrid nature and the fact that while it performs important state functions it is not a state. One response to this uncertainty, drawing upon the EU's origins in the post-

1945 multilateral system, has been a high level of EU commitment to multilateral rules and norms, to the extent that multilateralism can be seen as part of the EU's 'DNA' (Bouchard, Peterson and Tocci 2014; Smith M. 2016b). This has gone along with a strong focus on 'negotiated order', the building of institutions and the elaboration of frameworks for the management of interdependence and by extension globalisation (Jacoby and Meunier 2010). The EU is consequently a major proponent of the need for mechanisms of global governance and a supporter of international efforts to manage the effects of globalisation.

The EU thus occupies a central but contested place in the GPE, and this is given added significance by the complexities and uncertainties of the EU's internal policy processes. The Union has major economic and political resources, but it has often found it difficult to mobilise them and to make them effective in the GPE (Hill 1993). Sometimes, it has appeared that the very strength and complexity of its internal institutions and rules is a barrier to effective external action, and this conundrum has not been fully resolved by the implementation of the Lisbon Treaty since 2009. A continuing problem has been the EU's inability to produce 'joined up' or comprehensive policy formation and implementation, and in particular its inability to reconcile commercial advantage with the pursuit of universal norms in areas such as human rights. At the level of detailed policy-making, the frictions between the commercial culture of DG Trade and the political concerns encapsulated in the European External Action Service (EEAS) have been notable, although it might be argued that they have become less disabling as the EEAS has become more established and confident, and mechanisms have been established for the management of difference within EU external action. The clarion call in the *Global Strategy Paper* for more effective policy coordination is on the one hand a sign that the issue has been very well recognised, and on the other a symbol of its persistence. It is particularly evident in many policy areas where the EU encounters dynamic emerging powers, given that (a) they are dynamic, and thus a challenge to the established order and to comfortable EU assumptions about multilateralism and other practices, and (b) they often espouse radically different notions of interdependence, institutions and norms that challenge the EU's self-perception as a 'force for good' in the GPE (Renard and Biscop 2012, Part II; Smith M. 2016a).

We are thus faced with two sets of analytical demands in assessing the EU's responses to the challenge posed by emerging powers: one that emerges from the GPE as a whole and the roles of emerging powers within it, and a second that emerges from the nature and make-up of the EU, and its capacity to respond in a creative, coordinated and effective way to the challenges posed externally. We propose that one way of addressing these material and analytical challenges is to mobilise a number of analytical tools in three areas:

- First, in order to establish the *significance/salience* of a range of relationships between the EU and emerging powers in the GPE, we adopt a number of criteria. We see four elements as important to establishing significance/salience. The first is *scope* – the breadth and depth of the relationship. The second is *scale* – the sheer size of the relationship, and its salience in EU external relations more generally. The third is *intensity* – the extent to which a relationship is persistently present rather than sporadically of concern to the EU. And the fourth element is *centrality* - the extent to which the relationship is concentrated in key areas of EU concern. We can take certain material measures as indicative of these qualities – the most important being levels of trade, investment and other commercial activities, alongside which we can look at the infrastructure of relations in institutional terms (for example, sectoral and other dialogues, diplomatic encounters, key documents and agreements). The aim is to establish a broad measure of significance/salience – to see how large a specific relationship looms in the EU policy process, and conversely how large the EU element is in the perceptions and processes of the relevant partner (since this will give an indication of concerns and responsiveness on the part of the partner, and thus complement the EU dimension by drawing attention to mutual dependence).
- Second, in order to assess the *sensitivity/vulnerability* of the EU in relationships with emerging powers, we can draw upon the ideas embodied in the 'complex interdependence' framework first set out by Keohane and Nye in the 1970s (Keohane and Nye 1977). Keohane and Nye argued that the costs of interdependence (and the capacity to adjust to them) could be seen in two ways. On the one hand, sensitivity interdependence implies that the effects of change in relationships between interdependent actors are transmitted rapidly and can

precipitate policy change in order to defray or control the costs. On the other hand, vulnerability interdependence implies that when confronted with the costs of interdependence, some actors are more vulnerable than others and have fewer alternative responses with which to defray or control the costs – they may well have to pay the costs even if they do change policies. Whilst sensitivity interdependence allows for a range of policy choices by interdependent actors, vulnerability interdependence implies a severely reduced level of autonomy or choice for the more vulnerable actor. In real-world situations, of course, the likelihood is a mixture of such components.

- Third, we argue that the combination of significance/salience and sensitivity/vulnerability provides us with an indication of the extent to which the EU can respond by developing and applying an effective *strategy* in its relations with emerging powers. The notion of strategy implies an ability to bring interests, commitments and resources into an effective balance, and to apply relevant instruments in pursuit of policy outcomes. In Keohane and Nye's terms, such outcomes can be pursued in conditions of complex interdependence through linkage strategies, agenda setting, the shaping of transnational and transgovernmental relations, and the use of international organisations as sources of information and arenas for coalition formation, negotiation and the management of linkages. Whilst we must be careful in applying such ideas to the relations between the EU and emerging powers, where the existence of 'complex interdependence' might be contested, it is clear that the general focus on commercial issues, the lack of direct possibilities of the use of military force, and the growing range of transnational and transgovernmental contacts between the EU and its key emerging-power partners provide at least some basis for pursuing this line of argument. In addition, studies of EU strategic partnerships and of 'strategic diplomacy' in the EU provide a firm basis for focusing on the extent to which the EU has been able to muster coordinated and effective action in relation to a range of emerging powers (Renard and Biscop 2012; Smith 2013, 2016a). Further insights are provided by the ideas of 'competitive interdependence' developed initially by Alberta Sbragia and then applied amongst others by Chad Damro; according to such arguments, the need for the EU to act strategically as a 'market power' in a world of 'market powers' has implications not only for the aims pursued by the EU *vis-à-vis* key emerging powers, but also for the instruments applied in a GPE characterised by multilateral, regional and bilateral forms of negotiation and institutionalisation (Sbragia 2010; Damro 2012, 2016).

We now have the building blocks of what appears to be a set of causal propositions in relation to the EU's relations with emerging powers:

- First, that the *significance/salience* of a specific emerging power for the EU (and of the EU for that emerging power) is a key element in creating the need for EU attention to relations with that power, in establishing the scope of the challenge faced by the EU and in shaping the EU's range of responses to that emerging power.
- Second, that the degree of *sensitivity/vulnerability* experienced or perceived by the EU in its relations with an emerging power, when combined with the significance/salience of that emerging power, will condition the ability of the EU to defray or manage the costs of the relationship. In particular, it will affect the extent to which the EU has choices about what policy instruments to use in the attempt to manage costs and create positive returns (financial and other) from the relationship.
- Third, that the combined effects of significance/salience and sensitivity/vulnerability will influence the ability of the EU to develop an effective *strategy* towards a given emerging power, and condition its available strategic responses (linkage, agenda-setting, management of transnational/transgovernmental relations, use of international organisations).

In the next section of the paper, we will conduct a set of brief 'plausibility probes' of a range of EU relationships with emerging powers, structured around the three factors identified above, with the aim of providing a basis for reappraisal and further development at the end of the paper.

Probing the EU's Relations with Emerging Powers

We present in this section brief 'plausibility probes' of the EU's relations with the BASIC countries (Brazil, South Africa, India and China). This sample is chosen rather than the more frequently used BRICS (Brazil, Russia, India, China and South Africa) so as to exclude Russia, whose status as an 'emerging power' can be and has been challenged. Table 1 below summarises a number of dimensions of the EU's relationships with the BASIC countries, using 2005 and 2015 or 2016 (depending on the availability of data) as baseline dates. The aim is to conduct an initial test of the three propositions central to the argument in this paper, relating to significance/salience, sensitivity/vulnerability and strategy. In each case, the discussion is structured around the three propositions, entailing initial discussion of the size, scope and shape of the relationship, leading to discussion of specific areas of sensitivity and vulnerability and then to discussion of EU strategy. One element that is key to all of the cases is that of evolution and change, and thus of the need for the EU to adjust strategy and actions in a variety of arenas. We will return to this issue in the conclusions to the paper.

Table 1: Measures of interdependence between European Union (EU) and BASIC (Brazil, South Africa, India, China) countries, 2006 and 2015

	Brazil		South Africa		India		China	
	2006	2015	2006	2015	2006	2015	2006	2015
EU goods exports to (billion €)	17.7	34.5	19.9	25.4	24.2	38.1	63.7	170.4
% all EU exports	1.5	1.9	1.7	1.4	2.1	2.1	5.5	9.5
% BASIC country imports from EU	27.2	20.3	33.3	30.2	17.2	10.8	10.1	11.8
EU goods imports from (billion €)	27.3	31.2	20.1	19.4	22.6	39.5	195.8	350.6
% all EU imports	2.0	1.8	1.5	1.1	1.7	2.3	14.3	20.3
% BASIC country exports to EU	28.7	18.1	31.1	26.4	23.6	16.5	8.3	17.1
Total goods trade (billion €)	45.0	65.7	40.0	44.8	46.9	77.6	259.5	521.0
Total services trade (billion €)	22.1*	24.3	11.9*	12.9	24.8*	28.1	45.1*	63.7
Goods trade partner rank for EU		11th		17th		9th		2nd
EU rank as trade partner for BASIC country	1st	1st	1st	1st	1st	1st	1st	1st

EU FDI stock in (billion €)	276.8**	327.1	45.6**	78.8	33.9**	51.2	126.0**	168.4
EU FDI stock from (billion €)	101.1**	127.4	6.2**	12.0	6.8**	15.9	36.0**	34.9
EU arms sales to (billion €)	0.2	5.9	0.7	0.3	0.7	15.2	0.2	1.3

*2012 data

**2013 data

Sources:

Brazil: http://ec.europa.eu/trade/policy/countries-and-regions/countries/brazil/; http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113359.pdf; http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_111482.pdf

China: http://ec.europa.eu/trade/policy/countries-and-regions/countries/china/; http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113366.pdf; http://trade.ec.europa.eu/doclib/docs/2012/march/tradoc_149251.pdf

India: http://ec.europa.eu/trade/policy/countries-and-regions/countries/india/; http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113390.pdf; http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_111515.pdf

South Africa: http://ec.europa.eu/trade/policy/countries-and-regions/countries/south-africa/; http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113447.pdf; http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_111600.pdf http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_122530.02.2017.pdf

Arms Sales: Campaign Against Arms Trade (https://www.caat.org.uk/resources/export-licences-eu/licence.en.html)

Brazil

The EU and Brazil formed a strategic partnership in 2007 - a recognition of the Latin America country's established regional and growing global influence. By 2016, Brazil had become the 9th biggest economy in the world, and the EU's 11th largest trade partner in merchandise goods accounting for €60.2 billion in cross-border exchanges, or 1.7 percent of EU trade (European Commission 2016a). This is a decline in trade from prior years. Brazil-EU trade peaked at €77.7 in 2012, and has declined steadily each year since, with both imports and exports falling by similar amounts. Still, the EU remains Brazil's largest trade partner, slightly ahead of China. Trade in services amounted to €24.3 billion in 2015 - a 13 percent increase from 2013. Brazil also accounts for 30.8% of all EU trade with Latin America, thereby making it the most important country in the region for EU trade. In 2015, 17.8% of Brazil's goods exports (about two-thirds of which were agricultural and fuel and mining products) went to the EU. Only China bought more of Brazil's exports (18.6%). On the other hand, Brazil has by far the most foreign direct investment (FDI) stock by EU firms of any BASIC country - about twice as much as China has received. Likewise, Brazilian companies have as much FDI in the EU as companies from the three other BASIC countries combined.

Part of the motivation behind the EU's interest in Brazil is obtaining greater access to the Mercosur regional trade bloc. Although Mercosur also includes Argentina, Paraguay, and Uruguay, Brazil has by far the largest economy of the four members. Thus, closer ties with Brazil could be leveraged to achieve enhanced trade relations with the entire bloc. In 1999, the Interregional Framework Cooperation Agreement between the European Community and Mercosur went into effect, which followed bilateral agreements between the EU and individual Mercosur members earlier in that decade. While these five agreements do address trade matters, the EU has been unsuccessful in forging a formal trade agreement with Mercosur. Negotiations began in 2010, were paused in 2012 due to disagreements over EU agricultural policies and industrial protectionism by Mercosur countries, and re-launched in 2016. A trade agreement would strengthen the EU's already established position as Mercosur's main trade partner, accounting for 21% of the South American bloc's total trade in 2015. EU exports to Mercosur more than doubled between 2005 and 2015 to €46 billion. The EU also is the largest foreign investor in the region, increasing investment stocks from €130 billion in 2000 to €387 billion in 2014. A partnership with Mercosur would counteract growing Chinese trade and investment relations in the region (Paczkowski 2015). So a key part of the EU's strategic partnership with Brazil is obtaining greater trade and investment access to the wider region of Mercosur.

For Brazil, the EU is but one of several important global partners. China is a huge market for Brazil's agricultural and other commodities, making the Asian country its biggest export market. Total goods trade with China (€62.5 billion in 2015) is only slightly behind trade with the EU. Given the rapid economic growth in China over the past three decades, a slowdown in that country’s economy affects Brazil more than does minor variations in EU growth rates. Thus, the rapid increase in China-Brazil economic ties is a double-edged sword - good for Brazil while China’s economy grows, but at a cost of increasing dependence on the fortunes of one country. So a case could be made that Brazil very much needs a stronger relationship with the EU to counterbalance reliance on China.

The US is Brazil’s third most important trade partner and, given Washington’s long record of political and economic influence in the Western hemisphere, requires significant diplomatic attention by Brasilia. Beyond the importance of relations with China and the US, Brazil regards itself as a leader among global south countries and issues of importance to them. One uniting topic is global trade agreements, particularly the World Trade Organization’s Doha round of trade talks. Brazil has been a vocal advocate on behalf of developing countries that the EU and rich countries open their markets more to agricultural imports in return for developing countries reducing barriers to the trade of services. The country also has taken the lead among global south countries on reforming the United Nations Security Council, climate change policies that do not adversely affect economic growth, and non-interference in a country’s domestic affairs - all of which are somewhat problematic for the EU.

The EU’s strategy vis-à-vis Brazil has evolved since the 1960s, when Brazil was one of the first countries to establish diplomatic relations with the EU. By the 21st century, Brazil had become a significant enough economic and political power that the EU forged a strategic relationship with the country in 2007 (European Commission 2007). In addition to the aim of expanding trade ties, the partnership covers a range of issues, including climate change, sustainable energy, poverty alleviation, the Mercosur integration process and Latin American peace and stability. Brazil remains one of only two countries (the other being Mexico) in the Americas with whom the EU has established a formal strategic partnership to date. Regular dialogues have been set up in over 15 areas, and a Brazil-EU summit is held annually. A Joint Action Plan was adopted in 2008, covering a wide range of policy areas including terrorism, strengthening the multilateral system, disarmament and non-proliferation and the drugs trade, among other issues (EEAS 2008). Between 2007 and 2013, the EU and Brazil worked together in sector dialogues, but funding for these bilateral initiatives ended, and for the period 2014 to 2020, the EU has allocated €805 million for regional cooperation with Latin America. However, it must be said that trade and investment remain the over-riding strategic priorities for the EU. In response to the agricultural issues discussed above, the EU notes that Brazil is the G20 member with the most restrictive trade measures. Thus, despite years of negotiating, the EU has made little progress forming an Association Agreement with Mercosur, given Brazil's clout within that organization and unresolved trade differences between the Latin American giant and the EU. At the global level, the same obstacles to achieving a trade agreement with Mercosur are replayed within the Doha Development round of World Trade Organization (WTO) negotiations, with similarly disappointing results.

Brazil presents an interesting case among these 'plausibility probes.' The country does not have the economic and political salience for the EU that China does, although none of the other BASIC countries do either. Like India, there are historical connections that are more important for some EU members, namely Portugal and Spain (which is second only to the US in terms of total foreign investment in Brazil). But Brazil is the EU's largest trade partner in the Americas after the US, and thus presents a gateway for further economic expansion in the hemisphere. In terms of sensitivity and vulnerability, both Brazil and the EU share common features. Brazil would like to see greater access for agricultural goods within the EU market, which the EU is largely unwilling to do due to domestic political considerations. Likewise, Brazil is not too many years removed from a wide-ranging import substitution policy that protected domestic industries from foreign competition, and is likewise reluctant to reduce tariffs and non-tariff barriers out of fears that the loss of jobs and perhaps even Brazilian companies would carry political ramifications. Finally, the EU's strategy of reviving trade negotiations with Mercosur is an important first step in strengthening ties with Brazil. But Brazil, like India, is a relatively strong and vibrant democracy that the EU could better utilize as a global partner in promoting human rights, democratization and political and economic reform. However, that would require Brazil to overcome its reluctance to interfere in the domestic matters of countries that it also is cultivating support from on global matters, such as trade and the environment.

South Africa

If the EU were to select a strategic partner on the African continent, there would be several choices based either on geographic considerations, economic sectors, or historical relations due to colonization. South Africa is, by many measures, the most logical choice. It has historical links to the United Kingdom, the Netherlands, and Germany, among other European countries. It is more economically developed than its neighbours, less disrupted by internal conflict (at least since the end of apartheid in 1991), and has a long history of global engagement from the Cold War to its current association with the BRICS. But, as can be seen from Table 1, South Africa's economic relationship with the EU is mixed. Although the EU is South Africa's biggest trade partner, it trades considerably less in both goods and services with the EU than do the other three BASIC countries, placing it 17^{th} in the ranking of trade partners. On the other hand, European firms have invested about 50 percent more in South Africa than in India, which is remarkable given that India's gross domestic product (GDP) is over ten times the size of South Africa's. Also, almost one-third of South Africa's goods imports come from the EU - a higher percentage than the other BASIC countries.

In 2016, the EU signed an economic partnership agreement (EPA) with the Southern African Development Community (SADC), whose members include Botswana, Lesotho, Mozambique, Namibia, South Africa, and Swaziland (with Angola having the option of joining in the future). EPAs are a core component of the EU's relations with African, Caribbean, and Pacific (ACP) countries, and aim to offer wide access to the EU market. Under the SADC EPA, the EU fully or partially removes customs duties on 97.8% of imports from South Africa, and grants full market access to the other five countries (European Commission 2016b). The six SADC countries traded €59.8 billion worth of goods with the EU in 2016 - over three-quarters of which was accounted for by South Africa alone. While this represents an important fraction of total EU-Africa trade, it is less than EU trade with Brazil.

The EU's relations with South Africa have improved since the end of the apartheid system. The establishment of democratic government and respect for human rights have been welcomed by Europe. However, the corruption that has arisen in part due to nearly a quarter century of rule by the African National Congress (ANC), particularly under current President Jacob Zuma, has been problematic for the EU. Disagreements intensified in 2016 when South Africa withdrew from the International Criminal Court (ICC), which was reversed earlier this year by South Africa's High Court (Onishi 2017). Zuma's action was based on the view that the ICC unfairly targeted African countries. For the EU, this was a worrying sign that South Africa was moving away from international norms of behaviour and multilateral approaches to human rights abuses. The dilemma is one that is shared by all four BASIC countries, namely that the global community should, for the most part, practice non-intervention in the domestic matters of other countries, particularly those in the global south or otherwise not part of the more economically-developed Europe-North America-Japan triad. Despite the legacy of European colonialism in Africa, such views are at odds with many EU foreign policy initiatives. Relations with South Africa also are somewhat strained by the EU's reframing of its relationship by increasing the emphasis on trade, while diminishing the aid component (Fioramonti and Kotsopoulos, 2015). Finally, like Brazil, South Africa perceives itself as a leader of the global south in international fora on matters related to trade, finance, and environmental issues that can at times conflict with EU positions.

However, there are several advantages that South Africa holds over its continental neighbours that makes the country attractive to the EU (Fioramonti and Kotsopoulos, 2015). South Africa is a prominent member of global north-south organizations like the G20 and the G7+5 (formerly G8+5 until Russia's suspension from the group), where key EU member states and the EU are represented. Additionally, South Africa is a leader in African regionalism, providing the EU an entry point in its wider relationship with the continent across a range of issues. No other African country holds such a prestigious position in Africa or internationally. Despite disagreements over the ICC and occasional support for Russian and Chinese positions at the United Nations, since the 2004 election of Nelson Mandela, South African foreign policy has generally coincided with EU normative values, such as linking economic development to respect for human rights, democratization, and international law.

In terms of strategy, the EU established a strategic partnership with South Africa in 2006, followed in the next year by the South Africa-European Union Strategic Partnership Joint Action Plan (Council of the European Union 2007). The Plan builds on the 1999 Trade, Development and Co-operation Agreement (TDCA), which established preferential trade arrangements leading to a free trade area covering 90 percent of EU-South Africa trade. The TDCA, however, will be replaced by the SADC EPA (described above) upon ratification by all members. Due to the asymmetric nature of the EPA, the six African signatories will not be required to reciprocate the same level of market openness as the EU is required to do. Still, in important respects, the EU's strategy has been quite successful in leveraging a bilateral trade agreement into a regional deal. The EU also has been an important source of development aid to South Africa, including €2.6 billion under the TDCA, with the country slated to receive an additional €241 million between 2014-2020 under the Multiannual Indicative Programme for employment, education and training initiatives.

Compared to the other three BASIC countries, South Africa has experienced the greatest decrease in salience to the EU over the past decade. The importance of Brazil, China, and India has increased, and almost certainly will continue to do so for the foreseeable future. The GDP of China alone is about 35 times larger than South Africa's, and China and India have experienced much higher economic growth rates in recent years. The increasing economic and political stability of the African continent over the past two decades allows the EU to diversify its relations, as European firms expand their operations into previously untapped markets, and the Union seeks additional partners to address more pressing issues than those that comprise relations with South Africa, like migration.

But the same is true for South Africa, which has experienced an intensification of relations with other developing countries. China is now South Africa's second biggest trading partner after the EU - a relationship that is growing quickly and is accompanied by a political agenda emanating from Beijing. Thus, while the EU is still an important political and economic partner of South Africa, its comparative advantage is being replaced by the growing influence of other developing countries. One challenge, however, is that much of South Africa's exports consists of commodities, including gems, precious metals, and agricultural goods, whose prices can fluctuate wildly on global markets. Over the past few years, as global commodities prices have been low and China's economy has slowed, many African countries (including South Africa) have experienced rising trade deficits (Romei, 2015). Thus, although South Africa's economy is more diversified than most African countries, it remains rather sensitive to the global supply and demand for natural resources and agricultural products, and thus is in a more vulnerable position than the EU in their relationship.

India

India is in many respects an 'awkward partner' for the EU (see below) but it is at the same time a major and rapidly developing emerging power. Indeed, it can be argued that the most dynamic opportunities and challenges for EU external economic policy in the next decade will be presented by India, rather than China or other emerging powers. In terms of the EU-India economic relationship at the most general level, this means that in many ways India finds itself in a position in 2017 rather like that of China in the late 1990s. Table 1 (above) shows the development of relations between 2000 and 2015. In 2016, to take the story further, trade in goods between the EU and India totalled €77bn, whilst trade in services accounted for roughly €28bn and total FDI stocks amounted to €67bn. These are small figures for what promises to be a major relationship in the future GPE, and the surpluses or deficits in specific sectors reflect this general picture, with relatively modest deficits in textiles and related areas the key feature from the EU's point of view. Whilst the EU accounted for 13.5% of India's total trade in 2016, India accounted for only 2.2% of the EU's total trade. In line with this general picture, whilst India was the EU's 9th most important trading partner in 2016, the EU was India's top trading partner – but at a level far below that reached in EU-China relations. It is important to bear in mind two further aspects of the relationship: first, that growth in the past few years has been very rapid, and second, that in the areas of goods and services, trade has overall been relatively balanced, with no major surpluses or deficits.

It is not surprising in this context that there has been little attention from the EU perspective to the threat from India; rather, the focus is on market-opening and market access in a challenging environment. Characteristic of Indian policy in general has been the attempt strictly to control market access and the regulatory structures applying to foreign firms and their efforts to establish themselves in a large and rapidly growing market. This essentially defensive position goes along with a major emphasis on self-reliance and non-alignment in Indian policy more generally, and with resistance to the imposition of multilateral rules in a wide variety of areas, from trade to climate change and to nuclear non-proliferation. So the challenge to the EU and to its member states has been that of finding means to gain access to a potentially key partner and developing means of negotiating and cooperating when there is relatively little to build upon. The domestic politics of India itself, and the growth of a form of Indian nationalism, have also been challenging for not only the Union but also a host of other potential suitors, including the USA (Allen and Smith 2016). Meanwhile, security issues in South Asia, including arms sales by EU member states and the issue of nuclear non-proliferation, create a further dimension with political economy overtones.

The EU's response to this challenging relationship has followed the general pattern of its search for 'strategic partners'. As early as 1994, a Cooperation Agreement between the two partners entered into force, but it was not until the new millennium that India was declared a 'strategic partner' as part of the EU's drive to establish such relationships (European Commission 2004). A joint action plan for EU-India relations was promulgated in 2005, and in 2007 negotiations began with the aim of concluding a Free Trade Agreement. It is fair to say that these negotiations have been difficult, since a comprehensive FTA would challenge India on precisely some of the areas in which it is anxious to retain national control, including investment and the operations of EU corporations in India (Khorana and Garcia 2013). The level of day-to-day management of the relationship has also been slow to develop, with only a limited number of sectoral or other dialogues, whilst at the other end of the spectrum, the EU has found India difficult to deal with in a variety of multilateral arenas, including the negotiations of the Doha Development Round in the World Trade Organisation and various elements of environmental rule-making, including climate change (Khandekar 2013).

How can we evaluate this rather challenging and thus far relatively limited relationship in terms of the propositions around which this paper centres? First, it seems clear that the relationship has become considerably more significant in the past few years, but that it remains at a relatively restricted level compared for example to EU-China relations (see below). Its economic and political salience in the EU is also restricted, although it must be noted that certain EU member states (and soon to be ex-EU member states) have much more developed (albeit often controversial) historical and current relations. In other words, and in the terms proposed earlier in the paper, the scope, scale, centrality and intensity of the relationship remain relatively restricted. Second, and in line with this initial evaluation, the pattern of sensitivity and vulnerability (and its perception) demonstrated by EU-India relations is relatively under-developed. It seems that the perceptions of vulnerability are heavily biased towards Indian fears of external intervention in their economy and political system, and that their approach to relations with the EU reflects this underlying condition. The general Indian approach to international negotiations and institutions also means that the EU finds it difficult to make headway through the deployment and development of multilateral frameworks. This brings us finally to the issue of EU strategy: whilst this has generally conformed to the broad pattern of EU partnership-building, it has been very difficult for the Union to gain leverage over successive Indian administrations. Indeed, it appears that the combination of relatively low significance and salience with lack of high levels of perceived vulnerability in the EU itself has meant that the EU approach, based on the future potential of the Indian market and on an attempt to build an infrastructure for EU-Indian relations, has run into the sand. The 'strategic partnership' was declared in 2004; in 2012 commentators could still propose that it was time to 'go strategic' (Peral and Sakhuja 2012) whilst others lamented the 'missed opportunities' in EU-Indian relations (Wülbers 2011) or urged the creation of a 'sustainable partnership' (Khandekar 2013) – a telling commentary on the previous eight years – and there has been no break-through since.

China

China looms large in any discussion of the EU's relations with emerging powers – inevitably, given its status as the world's leading trader in goods and the rapid pace of change in its position within the GPE as a whole. As far as the EU is concerned, the fact that in 2015 the Union's total trade with China amounted to around €521bn in goods and €64bn in services, with total FDI stocks at around €204bn gives a clear indication of overall economic significance. Astonishingly, EU-China goods trade is almost three times the EU's total trade with the three other BASIC countries combined. The fact that this position had been reached effectively since the early 1990s, at which point EU-China economic relations had been embryonic, also attests to the dynamism and upward trajectory of the overall relationship. Two qualifications must be made to this overall picture: first, the relationship has been and remains overwhelmingly concentrated on trade in goods; second, and related, that trade in services and flows of investment remain at low levels compared to (for example) the USA, albeit they are increasing significantly. The net result of these trends is that the EU runs a major deficit in trade in goods with China, concentrated in a relatively small number of categories such as office and telecoms equipment, textiles and footwear and steel, whilst maintaining a surplus in services and dominating flows of FDI (although Chinese flows into the EU are both increasing and in some cases challenging) (Meunier 2014a, 2014b; Parello-Plesner 2013). It should also be noted that the security dimension of EU-China relations has important resonances in the political economy domain: not only is there a continuing if now muted debate about the permanence of the arms embargo imposed by the EU after the Tiananmen Square incidents in 1989, but there is also a concern for EU commerce in the context of security relations in East Asia more generally, for example in the South China Sea. This inevitably brings the United States into the picture, creating further issues for Brussels. Finally, the relationship extends beyond the bilateral into the mechanisms of global governance and specifically the management of the GPE, where EU and Chinese perspectives can differ sharply (Ujvari 2017).

The result of this growth and set of imbalances has been a consistent issue not only in EU trade policy making but also in the politics of the EU itself, as the Brussels institutions and the Union's member states have tried to adjust to the rapidly evolving relationship with Beijing. Even if such growth had been balanced at the aggregate level, it is clear that certain sectors (as outlined above) and certain EU member states and regions would have been affected more than others by the changing patterns of trade and investment. This is not of course unique to the EU (the USA has faced a number of similar pressures, and the Trump Presidential campaign in many respects focused concern on the extent to which China was a threat to US jobs and industries, which has softened significantly since assuming the Presidency in light of economic and security linkages). It would be expected that such rapid and large-scale changes would emphasise the threats to specific sectors – for example, textiles and footwear, and the steel industry – and that this would be accentuated by the asymmetry of the challenges faced by particular member states and regions. The costs of such changes are not simply to be counted in commercial terms: they relate to 'societal security' in a broad sense, and to the domestic politics of states and regions. As a result, there have been moves by particular member states or by cross-national coalitions to defend themselves against the Chinese threat, alongside other moves to take advantage of the opportunities afforded by the expanding EU-China relationship in services trade and investment (Fox and Godemont 2009; Holslag 2011). In addition, the development of transnational value-chains between EU firms and their Chinese supplies or counterparts has further complicated a simple review of sensitivities and vulnerabilities within the Union.

Beyond the GPE, China also has the potential to be a key partner in global security issues, especially post-Brexit. The EU imposed an arms embargo on China following the 1989 Tiananmen Square incident when the Asian country was of little economic importance to Europe, and the EU's then 12 member states were unified on this position. China's rising economic power and the EU's addition of 16 members over the past three decades have made it more difficult to keep the weapons ban in place. The departure of the UK, which has been the strongest advocate of the embargo, may make it more tempting for the EU to strengthen ties with China by amending the arms ban, or removing it entirely (Harding, 2016). Thus, the intertwining of economic and security issues further complicates EU-China relations.

How has the EU responded to this situation in strategic terms? One form of EU response has been a consistent and persistent attempt to frame the EU-China relationship in terms that correspond to the EU's broad approach to the GPE and to a number of related normative and political issues (Smith M. 2016c). Since the mid-1990s, Brussels has generated a succession of 'China strategies', all of which have contained elements designed to shape Chinese policies and to envelope them in the institutional constraints both of the Union and of the broader multilateral trading system. In 2003, China was pronounced a 'comprehensive strategic partner' of the EU, and there were moves to negotiate a wide-ranging Partnership and Cooperation Agreement, which have not yet come to fruition (Smith and Xie 2011). Despite this apparent shortfall in big-picture strategic agreement, there has been a major growth – encouraged by both China and the EU – in what might be termed the 'infrastructure' of EU-China economic (and to a degree political and security) relations, through the institutionalisation of strategic dialogues and the proliferation of sectoral working groups with both governmental and private participation, covering wide areas of economic and technical cooperation (Algieri 2002, 2008; Cottey and Gottwald 2014). In 2013, a significant framework for cooperation at the strategic level between the EU and China was agreed (EEAS 2013), and the evidence suggests that a process of 'the management of difference' has replaced the search for some kind of grand bargain with Beijing in EU policies (Casarini 2013); this much is apparent in the most recent Joint Communication produced by the High Representative for Foreign Affairs and Security Policy in mid-2016 (HRVP 2016), which in turn derives at least some of its rationale and language from the EU's Global Strategy Paper and its emphasis on 'principled pragmatism' in the EU's external action. As ever, there are qualifications to this picture of apparent progress: the process of domestic change in China could render 'the management of difference' a more difficult task, whilst challenging the Union in areas such as human rights, regional stability and sustainable development, and the continuing temptation for some member states to defect from common EU positions (not to mention 'Brexit') can still cause problems for 'joined up' EU policy-making.

A preliminary evaluation of this admittedly superficial 'probe' casts interesting light on the three central propositions advanced in this paper. First, it is clear that EU-China relations provide a clear example not only of the significance and salience of their relations in the GPE, but also of the dynamism and evolutionary momentum that are key to our argument. Second, it is clear that sensitivity and vulnerability (and perceptions of them) in relation to the political and economic costs of the changing relationship have grown, but – importantly – that they are asymmetrically distributed. In other words, the threats and opportunities emanating from China's changing place in the EU's external economic policy, and the potential costs of ignoring them, are different for different regions of the EU, different sectors of industry and commerce, and different EU member states. Third, in terms of EU strategy, there has been a significant gap between declarations of strategic purpose and the development of day-to-day working relationships between the two partners, and there have been moves at the EU level to recognise and institutionalise 'the management of difference'. But these do not in themselves remove the challenge presented by a combination of change in China itself, by the potential for fragmentation within the EU and by the changing nature of the GPE more generally.

Conclusions

The objective of this paper was to better understand and evaluate the significance of four emerging powers in the GPE and the capacity of the EU to respond to the challenges they pose by analyzing the significance/salience of these relationships, issues of sensitivity and vulnerability and the EU's capacity to generate a coherent strategy in response. We discussed the scholarly literature within which we embed our approach and analysis, advanced some preliminary propositions about the ways in which our three key variables might operate and interact, and sketched some of the most important aspects of the bilateral relationships between the EU and Brazil, South Africa, India and China. In this section, we discuss some of the similarities and differences among these four relationships, and further areas of research that may be undertaken to better understand their evolution.

With regard to similarities, the EU is the top trading partner for all four BASIC countries, and EU foreign investment in each BASIC country is considerably more than what firms from BASIC countries have invested in EU. This gives the EU significant influence in economic relations with each country, and shifts the sensitivity to trade and investment onto each BASIC country rather than the EU, at least for now. It is not clear how this may shape strategy since the patterns of trade and investment, while structured by EU trade and other agreements, are decided for the most part by European firms and investors. This differs from the state capitalism model of economic development practiced by China and, to a somewhat lesser extent, the other BASIC countries. In other words, the development of a coherent strategy in the GPE may be easier for some of the BASIC countries than for the EU, and not just because the EU is comprised of (soon to be) 27 member states.

Another similarity across the BASIC countries is, if not outright opposition to, then frequent disagreements with EU visions of international order. As described above, Brazil and South Africa see advantages in taking positions on behalf of the global south on a number of international economic, political and environmental matters that are sometimes at odds with EU positions. As Keukeleire and Hooijmaaijers (2014) suggest, these countries increasingly try to promote their views as basic principles for structuring the GPE and international relations. The EU has not yet developed a coherent or effective strategy to respond to these views on a multilateral or bilateral basis.

However, there are several key differences across the BASIC countries that increase the likelihood that the EU may be able to devise strategies that further Europe's global interests. The BASIC countries are not homogeneous. Brazil, South Africa and India are solidly democratic, while China is not. This increases the potential for the EU to achieve cooperation on rule-of-law-type global interests, even on sectoral issues (e.g., climate change, agriculture and services trade, development aid and regional security) where there is some level of disagreement. We see this, for example, in the EU's efforts to develop relations with Mercosur and SADC, effectively aiming for a rules-based, regional trade agreement with Brazil and South Africa, respectively.

Another key difference among the BASIC countries is their economic importance to the EU. While the acronyms 'BASIC' and 'BRIC' have become part of the everyday parlance of the GPE, diplomacy and international business, they may obfuscate significant economic differences amongst their members. As noted above, South Africa's GDP is magnitudes smaller than the other three countries, and there is no expectation that it ever will come close to matching the global economic heft of China or India. Clearly, from a global perspective, this is a country that lacks intensity, scope, scale and centrality to EU interests, although the argument can be made that South Africa matters to the EU's Africa policy (to the extent that a coherent and substantive one exists). At the other extreme, China is obviously the BASIC country whose economy has significant scale and scope for the EU (and, it should be noted, with each of the other BASIC countries). This, in turn, makes the EU vulnerable to changes in Chinese policies in the GPE, as well as continued economic development within China itself. The rapid increase in Chinese exports to the EU over the past two decades is partly responsible for some of the Union's anti-globalization sentiments and rise in populism.

In addition to the ways that the similarities and differences amongst the BASIC countries may shape EU strategies, there are several additional factors that are at play. First is the impact of domestic politics on the EU's global strategy, including Brexit and the 2017 elections in France, the UK and Germany. Given the uncertainty of how these four events, not to mention the rise of populism and disenchantment with Brussels and globalization across Europe, will play out, it is difficult to project whether EU strategies with respect to any of the BASIC countries will have enough coherence in the near term to produce their stated goals. There is also a more general point to be made about the ways in which variations between member states, sectors and non-governmental groupings experience the impact of relations between the EU and the BASIC countries – it is clear that sensitivity and vulnerability, both objective and perceived, are unevenly spread not only between but also within the EU's relationships with Brazil, South Africa, India and China, and that this has implications for the EU's capacity or inclination to develop both general strategies and specific actions in relation to their emerging power partners.

Likewise, domestic challenges within the BASIC countries may alter the salience/significance and significance/vulnerability calculus. Brazil is struggling through an economic downturn exacerbated by the country's over-reliance on commodities exports, and a political corruption scandal that has distracted the governing elite from most things international. South Africa faces similar economic problems as Brazil, but made worse by the lingering effects of apartheid, including high levels of inequality and black unemployment. This, combined with political corruption and frustration in many quarters with ANC leadership, may distract South Africa's government from achieving foreign policy goals and maintaining enthusiasm for cooperation with the EU or other global actors. As a result of these and other issues, Brazil and South Africa are less able partners for the EU in the short-term.

This leads to the conclusion that in terms of significance/salience and sensitivity/vulnerability, India and China are the two most important BASIC countries for the EU. Both are large in terms of population, GDP and global influence. While EU-China trade exceeds EU trade with India by a more than five to one ratio, trade in goods with the South Asian country expanded 64 percent between 2006 and 2016, and under the reform-minded leadership of Narendra Modi, expectations are that economic growth will remain strong. These two countries meet all of the significance/salience criteria of intensity, scope, scale and centrality, and from this analysis it is incumbent upon the EU to develop coherent strategies that address how economic, political and security changes in China and India may impact the Union. As noted earlier, the two relationships are at different points on their trajectory of development, and the building of a denser infrastructure for EU-India relations, on the model of that developed in EU-China relations, presents a key challenge for EU strategy.

There is one important country that was not addressed in this paper. The US position in the GPE is significant, not just to the EU, but to each of the BASIC countries as well. It is not yet clear what the basis of President Donald Trump's foreign policy will be beyond a vaguely 'America first' principle. Already in the first three months of his administration, policies appear to be somewhat different than what was promised on the campaign trail with regards to China, Mexico, NATO, the EU, the UN and other countries and global organizations. But there may be opportunities for the Union, particularly if US foreign (economic) policies drive BASIC countries to strengthen ties with other partners like the EU. For example, implementing elements of economic nationalism, such as 'Buy American' legislation, renegotiating trade agreements, attempting to influence currency markets and imposing higher tariffs, may present challenges to the EU, but also create openings with other countries (like China or Mexico) who may be the primary targets of such policies. A focus on US domestic policy may also create diplomatic and economic openings for the EU where Washington may be less interested in the near-term, such as Brazil, India and South Africa.

To obtain a more robust understanding of how EU relations in the GPE may evolve, the next steps appear to be two-fold. First, an expansion beyond the four countries discussed in this paper to include, perhaps, Mexico, Turkey, Indonesia and Nigeria would provide more data points to evaluate salience/significance, sensitivity/vulnerability and EU strategy. A mix of countries within one region may be particularly illuminating. Second, a 'deeper dive' into the variables presented in Table 1 would provide more comprehensive and robust measures of EU relations with important emerging market countries. At the moment, we can conclude that a very preliminary working out of our framework and of the empirical base for its application provide the basis for further investigation.

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