# Investigating Political Drivers of PTAs: Convergences and Divergences in the US and EU Trade Strategies in East Asia from 2001 onwards

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# Abstract

This thesis examines the political drivers of preferential trade agreements (PTAs) in East Asia. It investigates the extent to which the US and the EU have shaped and been shaped by PTA developments since the early 2000s. This period has witnessed a rapid proliferation of PTAs followed by a noticeable slowdown in their expansion. The research question animating the thesis is: why did the EU and the US appear to pursue similar trade strategies towards South Korea, but very different ones towards Japan and China? The thesis employs an IPE approach that integrates system-level and domestic-level explanations. It draws on the IPE variants of realism and liberal institutionalism, together with domestic-level theories that emphasise the influence of interests, institutions, and ideas on trade policymaking. Methodologically, the research combines qualitative analysis of documentary sources with interviews conducted across the three case studies, allowing the thesis to link theoretical arguments to empirical evidence. Ultimately, the thesis offers a theoretical and an empirical contribution to the IPE of trade literature. The thesis develops a theoretical synthesis which integrates both systemic and domestic explanatory factors to explain how major powers formulate trade strategies. It challenges the prevalent assumption that competitive liberalisation drove the EU and the US trade strategies in East Asia. Even during the height of the competitive liberalisation narrative, which indicates that Washington and Brussels would accelerate trade negotiations in East Asia to offset each other's influence, their policies largely reflected parallel but independent trajectories. The South Korea case shows that the simultaneity of their negotiations created the illusion of competitive liberalisation, but the EU and the US are not converging or influencing each other's strategies. The Japan case further supports this trend, as the EU and the US followed separate directions influenced by their own domestic constraints. The China case demonstrates how both actors adjusted their policies in response to China's rise, but in divergent ways, with the US policy shifting towards confrontation and decoupling, and the EU adopting a balanced and risk-mitigating approach. Collectively, the case studies show that domestic politics are of paramount importance in influencing the trade strategies of both powers.

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While I have benefited from the generosity, feedback, and encouragement of many, I am solely responsible for the content of this thesis. Any mistakes or oversights are entirely my own.

# Author’s Declaration

*I declare that this thesis is a presentation of original work and I am the sole author. This work has not previously been presented for a degree or other qualification at this University or elsewhere. All sources are acknowledged as references.*

## List of Abbreviations

Advisory Committee for Trade Policy and Negotiations: ACTPN

Agreement on Government Procurement: GPA

ASEAN-China Free Trade Area: ACFTA

Association of Southeast Asian Nations: ASEAN

Asia-Pacific Economic Cooperation: APEC

Asia-Pacific Trade Agreement: APTA

Australia-US FTA: AUSFTA

Belt and Road Initiative: BRI

Bilateral Trade Agreements: BTAs

Caribbean Community: CARICOM

China, Japan, and South Korea: CJK

Common Commercial Policy: CCP

Common Foreign and Security Policy: CFSP

Comprehensive and Progressive Agreement for Trans-Pacific Partnership: CPTPP

Comprehensive Agreement on Investment: CAI

Directorate-General for Trade: DG Trade

Doha Development Agenda: DDA

European Community: EC

European Economic Community: EEC

European External Action Service: EEAS

European Free Trade Association: EFTA

Economic Partnership Agreement: EPA

European Union: EU

Free Trade Agreements: FTAs

Free Trade of the Americas: FTAA

Foreign Direct Investment: FDI

General Agreement on Tariffs and Trade: GATT

General Agreement on Trade in Services: GATS

General Data Protection Regulation: GDPR

Geographical Indications: GIs

Global Europe: GE

Government Procurement Agreement: GPA

Gross Domestic Product: GDP

Hegemonic Stability Theory: HST

Intergovernmental Affairs & Public Engagement: IAPE

International Labour Organisation: ILO

International Monetary Fund: IMF

International Organisations: IOs

International Political Economy: IPE

Indo-Pacific Economic Framework: IPEF

International Relations: IR

Investor-State Dispute Settlement: ISDS

Intellectual Property Rights: IPR

Ministry of Economy, Trade, and Industry: METI

Most Favoured Nation: MFN

Ministry of Foreign Affairs: MOFA

National Security Council: NSC

North American Free Trade Agreement: NAFTA

Open Economy Politics: OEP

Open Strategic Autonomy: OSA

Preferential Trade Agreements: PTAs

Power Transition Theory: PTT

Revenue Appropriations Committee: RAC

Regional Comprehensive Economic Partnership: RCEP

Regional Trade Agreements: RTAs

Reciprocal Trade Agreements Act: RTAA

South Korea-US Free Trade Agreement: KORUS

State-Owned Enterprises: SOEs

Structural Impediments Initiative: SII

Trade and Investment Framework Agreements: TIFAs

Treaty on the Functioning of the European Union: TFEU

Trade Promotion Authority: TPA

Transpacific Partnership Agreement: TPP

Trans-Pacific Strategic Economic Partnership Agreement: TPSEP

Transatlantic Trade and Investment Partnership: TTIP

US-Japan Digital Trade Agreement: USJDTA

US-Japan Trade Agreement: USJTA

United Kingdom: UK

United Nations: UN

United States: US

United States Trade Representative: USTR

Voluntary Export Restraints: VERs

World Bank: WB

World Trade Organisation: WTO

World War II: WWII

# Chapter 1: Introduction

## 1.1 Focus of the thesis and timeframe of analysis

The purpose of this thesis is to investigate the political drivers of PTAs against the backdrop of rising populism-nationalism, trade protectionism and the economic fallout from Covid-19. As discussed in Chapter 2, there is already a substantive literature on PTAs, dating back to previous phases of intense activity in the area of regional integration. The thesis narrows its focus to East Asia, a region that has emerged as both the most dynamic centre of global economic growth and a key arena in which geopolitical rivalries and trade strategies are played out. Discussions of geopolitics and strategic interactions of great powers and their impact on PTA developments in East Asia cannot be meaningful without an understanding of the role of the United States (US) and the European Union (EU), and the competitive interdependence of their trade policies. The development of regional PTAs in East Asia, the world's most economically dynamic region, since the Asian financial crisis, which began in 1997, has been intensely debated. To date, however, no research has comprehensively investigated and analysed the nature of the US and the EU strategic interactions and geopolitical interests in East Asia and the role they have played in PTA developments in the region.

The literature frequently uses the terms PTAs, Free Trade Agreements (FTAs), Regional Trade Agreements (RTAs), and Bilateral Trade Agreements (BTAs). To be more specific, PTAs are agreements that liberalise trade between two or more countries or groups of countries, facilitating trade between them by providing preferential access, but do not extend this liberalisation to all countries (Dur & Elsig, 2015). While PTAs and FTAs are frequently used as synonyms in the literature, it is important to distinguish them. FTAs are agreements between two or more countries aiming to reduce or eliminate barriers to trade, such as tariffs, quotas, and import duties, while allowing each member to retain control over its external trade policy towards third countries (Farrell, Hettne, & Van Langenhove, 2005). RTAs refer to agreements signed between two or more partners that do not necessarily require them to belong to the same geographic region, including both PTAs and FTAs, with all the parties agreeing to lower barriers for each other. BTAs refer to agreements between two parties, rather than broader regional groups, and they are used because it is easier for two parties to negotiate than in larger groups (Kegley & Raymond, 2014).

These categories differ not only in their legal form, but also in their scope and depth. While earlier generations of trade agreements were largely limited to tariff reductions in trade in goods, contemporary FTAs are significantly more comprehensive in coverage and design. More specifically, they are organised into detailed chapters that extend beyond tariffs, covering areas such as trade in goods and services, rules of origin, customs procedures and trade facilitation, investment, intellectual property rights (IPR), competition policy, public procurement, and dispute settlement (Horn, Mavroidis, & Sapir, 2010; Dur & Elsig, 2015). This variation reflects differences in domestic political priorities, levels of economic development, and the strategic objectives pursued by the countries that participate in the trade agreements.

There has been a clear shift in the proliferation of PTAs in recent years, demonstrating an increasing decline in their growth. There is much literature that points to the trade politics of individual countries and politicians, such as the US and Trump, but this trend also reflects underlying systemic changes. The interaction of the US and the EU in East Asia provides an ideal context in which to analyse this. The thesis develops a framework that incorporates both system-level and unit-level explanations, and this frames the wider contribution to the literature on trade. Normally, research does not compare the US and the EU. My wider contribution is developing and synthesising a theoretical approach and framework that allows us to explore, test and measure the interaction between system-level and unit-level considerations or theoretical explanations and the relative importance of each within the same framework, incorporating both of them. Strategic interaction is a concept that is inferred from similarities and differences in the US and the EU approaches in terms of their negotiation objectives.

This analysis will enable us to highlight the commonalities and identify the differences between the US and the EU geostrategic positions and strategic interactions, which, although they indicate considerable alignment, also show important differences. For instance, the EU supports the process of trilateral cooperation between China, Japan and South Korea (CJK). At the same time, the US has always been worried about any processes from which it is excluded and risks being dominated by China's increasing economic and political influence (Casarini, 2020). Significantly, the EU trade policy literature mostly focuses on liberal institutionalism, with the EU sometimes characterised as a normative power and the US based on systemic literature, such as in Hegemonic Stability Theory (HST) and Power Transition Theory (PTT), with the US being characterised as a realist power. This comprehensive analysis will, therefore, evaluate the utility and significance of the theoretical explanations.

Compared with existing studies on similar topics, this thesis stands out in terms of four major aspects. First, it comprehensively covers the nature of the US and the EU strategic interactions and geopolitical interests in East Asia and the role they have played in PTA developments in the region. Second, it is systematic, with a clearly defined overarching conceptual framework of the political drivers of PTA developments in East Asia. Third, it is empirically grounded, serving as a substantive analysis in terms of empirical knowledge and conceptual and theoretical understanding of the US and the EU trade policies and strategies and the role they have played for PTA developments in East Asia. Fourth, my thesis makes a temporal contribution by situating its analysis within the period from 2001 onwards. Significantly, this timeframe captures both phases of convergence and divergence in the US and the EU trade strategies, allowing the thesis to update and extend the literature through a more complete account of continuity and change over time. Importantly, this focus allows the research to contribute to the literature by comparing the EU and the US strategies and by explaining why similar systemic pressures have led to both convergence and divergence over time. Notably, my thesis makes a contribution by examining not only the initial convergence of the US and the EU trade strategies during the expansionary phase of regionalism and PTAs, but also their subsequent divergence in the period of stalled liberalisation since 2008, which is a development that has not yet been fully captured in the literature.

It should be noted that the thesis refers to PTA developments in East Asia, a region comprising the two sub-regions of Northeast and Southeast Asia. To be more specific, Northeast Asia includes CJK, and Southeast Asia refers to the Association of Southeast Asian Nations (ASEAN). Regional cooperation projects, such as the ASEAN and the Asia-Pacific Economic Cooperation (APEC), were the primary drivers of trade cooperation in Asia until the early 2000s. For a long time, Asia did not actively participate in the global trend of the proliferation of PTAs. This situation changed significantly from the early 2000s, when Asian countries became some of the most active globally in negotiating and signing PTAs (Eckhardt & Serrano, 2014). However, it is of paramount importance to recognise that the momentum has followed a non-linear path. More significantly, after a period of intense expansion in the 2000s and early 2010s, the speed of new PTA activity has slowed since the mid-2010s, indicating a changing geopolitical landscape and the broader challenges within global trade governance. Since the early 2000s, scholars have begun to examine this trend significantly (Aggarwal & Koo, 2006; Dieter, 2013; Dent, 2010; Kawai & Wignaraja, 2013). The focus of this literature has been assessing the role that external economic and political disruptions, combined with systemic changes, played in the establishment of PTAs in Asia. However, this body of work has mainly concentrated on the proliferation phase, paying less attention to the subsequent slowdown and divergence in trade regionalism after the Global Financial Crisis. This thesis attempts to redress that imbalance through the incorporation of both the proliferation and stagnating phases into one cohesive analytical framework. This transition, moving from a period of rapid proliferation to one of relative stalling, establishes the essential context for this thesis and highlights the need to examine both the convergence and divergence stages of PTA developments.

An analysis of the EU and the US strategies and trade policies in terms of the key drivers for PTA developments in East Asia will shed light on the dynamics driving FTAs and regional processes in the region. The literature focused on the political economy of the EU's trade policy is considerable. More specifically, existing research investigates the EU's role in the World Trade Organization (WTO) (Dur & Zimmermann, 2007; Poletti 2012; Poletti & De Bievre, 2014), the interests of member states in the EU trade policy (Elsig, 2010; Elsig & Dupont, 2012), the role of the EU institutions in trade policy (De Bievre & Dur 2005; Meissner, 2016), the role of interest groups or businesses in influencing the EU trade policy (Dur & De Bievre, 2007; Eckhardt, 2011), and the design of the EU trade agreements (Lechner, 2016).

Meanwhile, the literature on the US trade policy has been mostly associated with hegemony and systemic literature such as HST and PPT (Acharya, 2018; Aggarwal, 2013; Cox, 2012; Keohane, 2005; Kindleberger, 1986), focusing on the changes that brought the US from a supporter of trade liberalization under General Agreement on Tariffs and Trade (GATT) and generally an opponent of liberalization through PTAs, to an enthusiastic negotiator of RTAs and PTAs (Gantz, 2016; Aggarwal & Evenett, 2013; Heydon & Woolcock, 2009); the US protectionism and trade imbalance (Park, 2018B), the US FTAs in East Asia and the US trade policy in the context of global crisis and the decline of the US hegemony (Hundt, 2015;

Hoadley, 2007; Guillén, 2019; Evenett, 2007); the US approach regarding the nexus of security and trade (Aggarwal, 2013; Aggarwal & Govella, 2013) and whether the American hegemonic leadership is over with specific reference to the rapid rise of China (Beeson, 2009; Layne, 2008; Buzan & Cox, 2013; Fels, 2016; Ikenberry, 2014). Further to this, the literature on the US trade policy has been associated with ideas, interests, institutions and foreign policy as well as domestic politics (Goldstein, 1993; Goldstein & Keohane, 1993), allies, adversaries, bipolarity and multipolarity (Gowa, 1994; Gowa, 1989).

It should be noted that academic research has largely focused on the US-China, EU-China, China-ASEAN, EU-ASEAN or the US-ASEAN relations. The US and the EU strategies have been analysed separately, with few explicit analyses between them; there are not many system and domestic-level analyses on how they have adapted and adjusted their policies towards PTA developments in East Asia. The US and the EU motives are considered mainly in isolation, even though the interactive effects are noted (Yukawa, 2018; Meissner, 2018; Buckley, 2002; Buzan & Cox, 2013; Fels, 2016; Fermont, 2013; Ikenberry, 2014; Ling, 2013; Thuy Hang, 2016; Bretherton & Vogler, 2006; Lau, 2019).

The analysis and examination of the EU and the US approaches and strategies, while bringing out the differences, will reveal the commonalities. The thesis utilises domestic-level approaches that focus on interests, institutions, and ideas and realism as well as liberal institutionalism as its system-level theories of International Political Economy (IPE), to examine the US and EU strategies and policies. Importantly, the rationale is that the US and the EU possess different trade policymaking structures and occupy different positions in the geopolitical order. Comparing the two theoretical models will enable us to consider both domestic and systemic perspectives. In doing so, we will examine the interaction between wider political and commercial interests at the systemic and domestic levels (Heydon & Woolcock, 2009). Significantly, the behaviour and policy of the EU and the US are key parts of the systemic environment in which both actors operate, but the impact of this is reflected through domestic interests, institutions, and ideas.

This thesis does not examine the domestic politics and trade policy processes of CJK. While these domestic politics are clearly important for shaping trade outcomes, they fall outside the focus and scope of this thesis. The analysis is deliberately grounded in an IPE framework that examines the EU and the US trade policy from a Western perspective, reflecting the theoretical traditions on which the thesis draws. As such, the theoretical framework is not applied from the viewpoints of CJK but is instead used to explain how systemic pressures and domestic constraints within the EU and the US have shaped their external trade policies and strategies. This choice reflects both the research question and the broader aim of contributing to debates about how traditional economic powers respond to shifts in the global trade system.

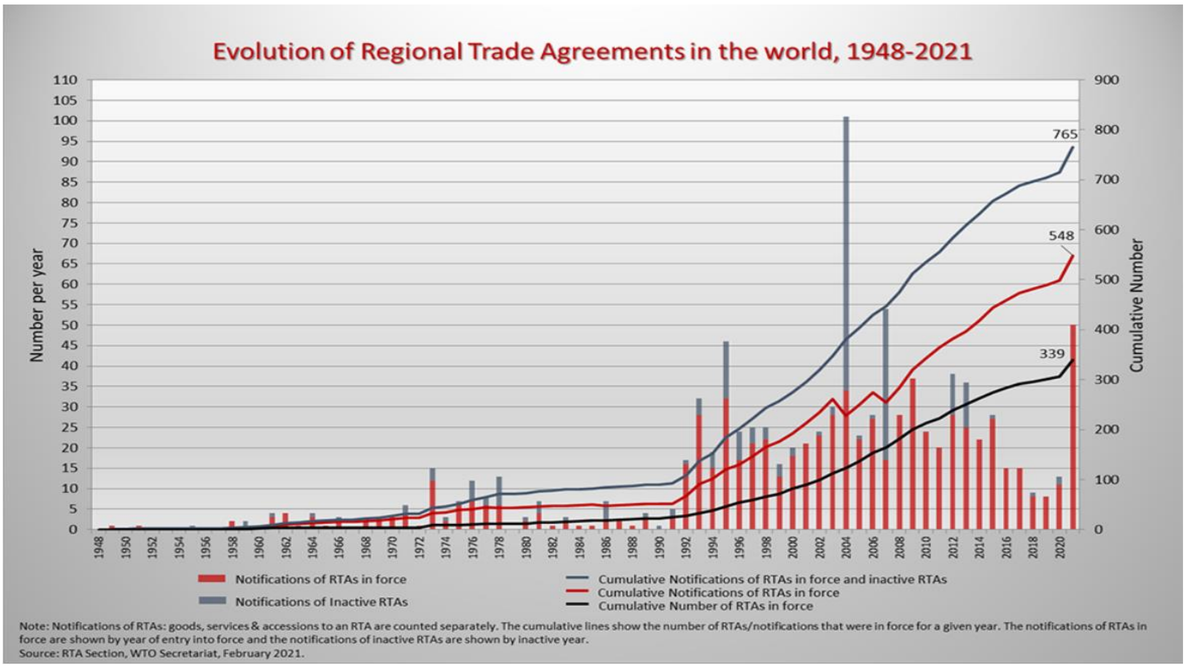
The thesis looks at developments from the early 2000s onwards. This period has witnessed the rapid proliferation of PTAs and, more recently, a slowdown in their expansion. Notably, in the early 2000s, PTAs expanded rapidly in number and complexity, with one of the most frequently asked questions being whether they help or hinder the WTO's multilateral trading system. As my thesis underlines, the initial wave of PTA activity has since stalled from the mid-2010s onwards. Addressing this full trajectory, from proliferation to stagnation, is central to the research puzzle, as it illuminates how both systemic and domestic factors account for both phases of development. Debates regarding the influence of PTAs on the WTO were particularly notable throughout the 1990s and the beginning of the 2000s, when the proliferation of PTAs raised the question of whether they were a symptom or cause of the stagnation of the WTO. It was in 2001 when the Doha Round was officially launched at the WTO's Fourth Ministerial Conference in Qatar, to achieve significant reforms in the international trade system primarily through reduced trade barriers and revised regulations (WTO, 2019). The eventual collapse of the Doha Round negotiations accelerated the fragmentation of global trade governance (Aggarwal & Evenett, 2013).

Significantly, the pursuit of mega FTAs is the most prominent expression of this fragmentation. Mega FTAs involve many countries from different regions, covering a big part of global trade, including 'WTO-plus' provisions regarding economic rules and the reduction of non-tariff barriers (Ravenhill, 2016). In addition, China joined the WTO in 2001, growing rapidly, with its government starting to cut tariffs and liberalising its regime for Foreign Direct Investment (FDI), leading to numerous trade disputes with the US, becoming an active participant in PTAs, although it was a latecomer (Zhu, 2012). Moreover, in 2008, the Global Financial Crisis started with a series of financial market events taking place, such as worldwide stock market plunges, a widespread interbank liquidity freeze, bailouts, and the collapse of the investment bank Lehman Brothers (Meissner, 2017). Importantly, this moment also marked a turning point in the trajectory of trade regionalism. More specifically, the earlier proliferation of PTAs gave way to a more uneven pattern, with stalled negotiations. Notably, it is this combination of proliferation and subsequent stagnation that frames the central puzzle of the thesis.

It should be noted that 2016 represented a historical moment due to the United Kingdom's (UK) decision to leave the EU. In the same year, following the election of Donald Trump, the US withdrew from the Trans-Pacific Partnership Agreement (TPP), initiating an aggressive trade policy. Additionally, Trump did not continue negotiations on the Transatlantic Trade and Investment Partnership (TTIP), which had been conceived as a deep integration project between the US and the EU aimed at advancing free trade with a strong focus on an international investment treaty. Importantly, Brexit meant less liberal trade between the UK and the EU, while the Trump Administration clearly pursued an inward-oriented trade policy agenda. Thus, the two historically leading Western countries dramatically altered their positions on free trade during this period (Welfens, 2020).

The increase in PTA negotiations that started in the 1990s and peaked during the 2000s has resulted in an extensive analysis of the incentives of PTAs and their impact on the multilateral trading system. Notably, there has been slow growth of PTAs since 2016, as the graph below illustrates (WTO, 2021). This trend raises questions about the factors influencing PTA negotiations and their effectiveness in achieving strategic goals. Significantly, my thesis reveals the interplay between systemic factors and domestic political considerations in the US and the EU trade policies and strategies. This is the gap the thesis seeks to fill, adding substance to the discussion about the political drivers of preferential agreements and the convergences and divergences of the EU and the US trade policies.

*Figure 1: Evolution of Regional Trade Agreements in the world, 1948-2021*




Source: (WTO, 2021).

The EU trade policy has been transformed significantly over the last thirty years. Most importantly, the EU negotiated PTAs with Chile and Mexico between the late 1990s and early 2000s, mainly due to its decline in Latin America vis-à-vis the US. However, it was only in the mid-2000s that the EU began to consider regionalism as an alternative to multilateral liberalisation, demonstrating that, despite its convergence with US protectionism, a clear divergence remains in how it approaches global trade relations. Despite the EU remaining a key actor in multilateral liberalisation within the WTO, turning to regional and bilateral agreements has become an important trade policy option for the EU, as outlined in the Global Europe (GE) initiative (Sahakyan, 2016).

More recently, the EU has placed strategic autonomy at the heart of its foreign policy. It should be noted that the new doctrine of Open Strategic Autonomy (OSA) suggests that policy objectives can be met without any more political costs. Significantly, OSA enables the EU to be stronger both economically and geopolitically by being open to trade and investment to recover from the crisis and remain competitive and connected to the world. Global trade and its integrated value chains will remain an important growth engine and will be essential for the

EU's recovery, with the EU pursuing a model of OSA (European Commission, 2020). However, it is important to mention that this is the Commission's own framing of OSA rather than an uncontested reality. The addition of "openness" appears to repackage elements of earlier trade strategies, such as GE, raising questions about how distinct this new approach is.

Both the US and the EU occupy different positions within the international order, but when it comes to domestic factors, they operate through different sets of institutional structures, and these structures do not function in the same way. Within the EU, there is a relatively stable set of institutional practices which produces a legalistic and predictable approach, whereas in the US, there is a more fluid system in terms of the extent to which authority resides with the executive or the legislature, and this changes over time depending on the external context. Importantly, what happens within the domestic policymaking process in the US is shaped much more directly by changes in the international context, whereas in the EU, the trade policy is more consistent. This distinction is important for the broader argument of the thesis because it helps explain why the EU shows a relatively consistent approach to its trade strategy in East Asia, while the US displays a much more erratic pattern, especially across the cases of South Korea, Japan, and China. This divergence reflects the EU's and the US's different positions in the international system and the different domestic factors that affect their trade policies.

When it comes to the US trade policy, after obtaining Trade Promotion Authority (TPA) in 2001, the Bush administration adopted a more aggressive policy on PTAs. During the administration, eighteen countries or groups of countries were involved in PTA negotiations with the US. Explanations of the motivations of the US in pursuing PTAs were highly diverse. A concern about being left behind was clearly expressed by former United States Trade Representative (USTR) Zoellick. This motivation was reflected by the comment of EU Trade Commissioner Peter Mandelson that the negotiation of the South Korea-US FTA (KORUS) had strengthened the prospects for the planned EU–South Korea FTA (Heydon and Woolcock, 2009). The US fear of being left out was most pronounced in Asia. The Director of the Peterson Institute for International Economics, Fred Bergsten, observed that a full East Asian FTA (including the ASEAN PLUS China, Japan and South Korea) would have entailed significant trade diversion costs for the US (Bergsten, 2005).

The George W. Bush Administration placed FTAs at the centre of its international economic policy, and particularly its strategy towards Asia, due to its economic size and strategic importance. By the middle of Bush's second term, trade agreements had been signed with Singapore and Australia, active negotiations were underway with South Korea and Malaysia, and talks with Thailand were launched but suspended after a coup in Bangkok in September 2006. Meanwhile, the Administration in August 2006 signed a Trade and Investment Facilitation Agreement with ASEAN, following moves by CJK to launch their own agreements with the ASEAN states. By late 2006, the first serious discussion of the biggest of all possible FTAs, between the US and Japan, began to be heard in Washington and Tokyo. The Obama Administration was initially cautious about FTAs and unwilling to pursue an active trade agenda. Toward the end of its first year, it announced its intent to amend and complete the South Korea FTA and to participate in the TPP negotiations (Bayne & Woolcock, 2011).

The election of Donald Trump in November 2016 changed the prospects for both the TPP and TTIP, adding a new source of geostrategic and geo-economic uncertainty in the international system and particularly in East Asia. Most importantly, the election of President Trump to "make America great again" created the potential for a fundamental reversal of economic globalisation, given that the US could have adopted inward-looking policies rooted in xenophobic political and economic agendas, thereby abandoning neoliberalism. Apart from this, the emergence of far-right political movements and the bleak future of European integration indicated uncertainty regarding the future of Western-led global governance (Regilme Jr & Parisot, 2018). Importantly, the election of Biden has seen more support for what appear to be protectionist practices and policies. Importantly, President Biden's early executive order on 'Buy American', intended to preserve more federal procurement spending on the US entities and served to reinforce a scepticism on international trade begun by the previous administration, thereby illustrating that American norms have undergone a shift that goes beyond Donald Trump, the individual (Schoenbaum, 2023).

## 1.2 Theoretical Framework

The analysis of the thesis is underpinned by the IPE variants of the major IR theories, such as realism and liberal institutionalism. These theories provide a variety of diverse and complementary viewpoints on the motivations and strategies underlying the EU and the US trade policies and strategies, as well as the broader geopolitical and economic context. It should be noted that this section offers only a basic outline to place the research within the broader theoretical debate. A more detailed and systematic discussion of both theoretical approaches will be presented in Chapter 2, where both frameworks are thoroughly examined.

Liberal institutionalism is very useful for understanding the trade approach of the EU. To be more specific, driven by the belief that international institutions and economic interdependence foster cooperation and stability (Keohane, 1984), this perspective explains the EU's commitment to multilateralism and rule-based trade governance. For instance, the EU-South Korea FTA aligns with the EU's wider strategy and objective of promoting open markets and regulatory convergence through legally binding trade agreements. In contrast to the US, the EU's FTA with South Korea was not only commercially driven but also aimed at strengthening global trade norms and minimising the possibility of growing protectionism. Crucially, the EU's reliance on supranational decision-making mechanisms and institutions further ensured that the agreement was framed within a rules-based order, emphasising long-term economic integration rather than immediate geopolitical benefits (Marx et al., 2013). While liberal institutionalism provides insights into how international institutions, regulations, and economic interdependence influence policy decisions, realism emphasises the role of power and national interests in shaping the trade policies of the EU and the US (Gilpin, 2001).

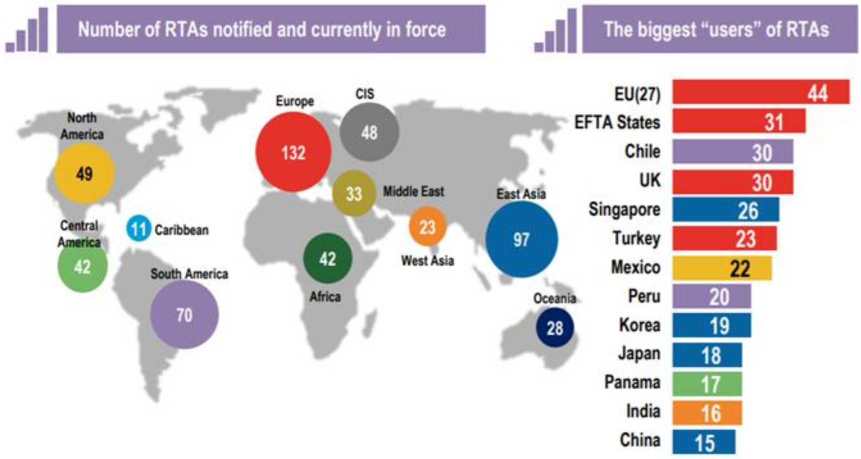
In addition to realism and liberal institutionalism, the thesis also draws on unit-level theories that emphasise the way domestic considerations affect trade policy choices, highlighting how competing interests, institutions, and ideas within states influence their strategies. In contrast to systemic IPE theories, the domestic approach argues that fluctuations in domestic variables shape foreign economic policy preferences (Schirm, 2020). By connecting these domestic factors with the broader systemic context, the thesis develops a more comprehensive analysis of how trade policy is formed.

## 1.3 PTA developments

The establishment and formation of PTAs have been the most prevalent form of reciprocal trade liberalisation since the beginning of the 21st century, with a growing number of bilateral FTAs being negotiated and concluded around the world. To be more precise, from 1948 to 1994, only 124 RTAs were notified to the GATT. From 1997 to 2015, the number of FTAs across the globe had increased from around 70 to more than 300, and the vast majority of these were BTAs, involving region-to-country agreements, such as the ASEAN–China FTA (ACFTA) and the European Free Trade Association (EFTA) – South Korea FTA (Dent, 2016). Indeed, the number of bilateral, regional and other PTAs has been significantly growing, giving rise to what Bhagwati (1995) has called the ‘‘spaghetti bowl’’ of international agreements. Notably, the US PTAs usually involve the most explicit negotiations for market access in services and rules for investment and intellectual property. As far as the EU is concerned, PTAs involve market access provision in services, reinforcing prevailing international rules for intellectual property (Caliskan, 2010).

During the period 1948–1994, 124 PTA notifications were received by GATT. It is noteworthy to mention that, by the time the WTO was established in 1995, 50 of these notifications were still active. Also, for the next 15 years, more than 250 new agreements were notified to the WTO, with about 200 of them being active in 2008. A significant part of this growth concerns trade agreements where the EU or the US is a partner, thus making them the two main blocks in PTA developments (Horn, Mavroidis & Sapir, 2010). By September 2015, the total number of PTAs in effect was more than 400 according to the WTO, constituting an increase of over five times during a period of twenty-five years (Sahakyan, 2016). Baldwin (1995) explains that due to the discriminatory nature of PTAs, countries that have not been members of these agreements are put under immense pressure. This results in a domino effect, which “can trigger membership requests from countries that were previously happy to be non-members” (1995, p. 45). This proliferation underscores the competitive landscape between the US and the EU in securing market access and investment, reinforcing the need for this thesis's analysis. Consequently, exporters of countries that have not signed a PTA have pressured their governments to take countermeasures and ensure that their exports are not threatened by existing PTAs between other parties (Baccini & Dur 2012).

*Figure 2: Number of RTAs notified and in force - The biggest "users" of RTAs*




Source: (WTO, 2021).

Key events attributed to the decrease of the Asian trade, the Asian financial crisis in 1997, the unsatisfactory conclusion of the WTO's Seattle Ministerial Conference in 1999 and the decreasing prominence of initiatives such as the APEC Forum have led to a new wave of regionalism. Since the beginning of the 21st century, this new wave of regionalism was driven by major trading players, including the EU, the US and for the first time, several Asian countries that had earlier favoured multilateralism and non-discrimination (Aggarwal & Koo, 2006). It should be noted that Singapore and India concluded the majority of their PTAs since 2000, while all of China's and Japan's agreements entered into force during the same period (Katada & Solis, 2008).

East Asia has emerged as a global key region in terms of political, economic and security impacts, accounting for about 25% of the global economic activity (Dent, 2008). Its economy grew by about 5.5% a year, while the US and the EU economies grew by an average of 1.6% and 1.7% respectively. Significantly, since the 1970s, the vast majority of international trade has increasingly shifted from the Atlantic to the Pacific, reflecting Asia's status as the most dynamic trade region in the world (European Parliament, 2016).

Considering Asia as a whole, the region's proportion of global merchandise exports has increased from about 19% in 1983 to 32% in 2014, and its share of world merchandise imports has increased from 18.5 % in 1983 to about 32% in 2014. Importantly, China has become the largest trading country in the world, and since 2014, it has been the world's largest merchandise exporter, with a share of 15.6%, about 0.5% ahead of the EU. As far as imports are concerned, in 2014 China ranked as the world's third largest merchandise importer with a 13% share, behind the US with a share of 16% and the EU with a share of about 14.5%. This increasing weight and importance of East Asia in global trade and the shift of the core intra-APEC trade to Asia have been accompanied by a growth of RTAs and FTAs in the region in the 2000s (European Parliament, 2016).

East Asian nations impose lower tariffs on the products of their neighbouring countries than they are required under the various trade agreements to which they belong, a preferential treatment rarely extended to countries outside the region. This regional preference is particularly noticeable for manufactured products. As a result, East Asia is a de facto preferential trade area, in which applied tariff rates substantially undercut the established and legally bound rates (Pempel, 2006; Fouquin, 2008). Until the early 2000s, Japan was the leader of economic integration in Asia, but the growth of China as a global trading power challenged this tradition. Importantly, Japan was taken aback by China's negotiations of PTAs with the ASEAN countries in 2001 and 2002 and soon responded with its own 'economic partnerships' with the ASEAN, indicating that geopolitics are widely thought to drive PTA formation in East Asia (Hale, 2011). According to Dent (2010), while China and South Korea adopted a group-level engagement with ASEAN, Japan followed a parallel approach of bilateralism, increasing its leverage during the negotiation process and securing a more comprehensive trade agreement.

Since the Asian financial crisis, various types of PTAs have been negotiated, with governments actively participating in these agreements to enhance market integration driven by private enterprises across the region (Dent, 2008). Notably, since the early 2000s, Asia has been the world's most important trade hub, in both exports and imports, with East Asia being its most dynamic region, considerably increasing its regional share of world Gross Domestic Product (GDP). As the strong economic performance of Asian economies is projected to continue, the

Asian share of global GDP is predicted to climb to approximately 30% by 2030, a notable increase from the 22.6% in 2004. Since the 1970s, the majority of global trade has steadily shifted its focus from the Atlantic to the Pacific, with the 21 economies of APEC accounting for over 50% of global trade. China has emerged as the largest trade power in Asia, serving as both the world's and the region's top exporter with 22% of intra-regional exports. It is also the first regional importer with 17% of intra-regional imports and the second largest importer worldwide (European Parliament, 2016).

During the Asian financial crisis, initiatives for PTAs started to appear in East Asia, with the International Monetary Fund's (IMF) bailout conditions making the East Asian countries unhappy with the current system. Significantly, East Asia considered APEC and ASEAN as effective means of reducing its level of dependence upon the US (Manger, 2005). Moreover, the rapid economic growth of China presented new opportunities for development, trade and investments in East Asia. Dent (2005) points out that there is a positive correlation between the shift towards bilateralism and the evolving trade policy framework from mercantilism to liberalism. Noticeably, East Asia after the financial crisis has experienced improved regional economic co-operation, with PTAs being its most prominent feature (Dent, 2005).

CJK recognised the importance of regional economic cooperation by shifting its policies towards regionalism. As a result, they have moved from only one RTA (the Asia-Pacific Trade Agreement signed in 1976) to multiple RTAs after 1998. Notably, South Korea's economic transformation and its ambition to use its geopolitical advantage to become an East Asian business hub led to the significant increase of PTAs in the region (Park, 2018A).

Despite the importance of PTAs in international trade, our comprehension remains inadequate in terms of the key drivers behind their rapid proliferation. Importantly, most PTA scholarship was conducted by economists, who generally focused on the trade-diverting or trade creation effects, without adequately explaining the political drivers behind these agreements. For instance, Mattoo, Mulabdic and Ruta's (2019) research investigated the trade consequences of deep PTAs and revisited the classic Vinerian question of trade creation and trade diversion, indicating that deep agreements lead to more trade creation and less trade diversion than shallow agreements. On a similar vein, Deme and Ndrianasy (2016) focused on the welfare effects of PTAs, specifically analysing trade creation and trade diversion. Using a gravity model to estimate welfare effects, they found that economic integration among small and relatively low-income countries that have a small portion of total trade with each other was welfare-improving for the members as a group, for the majority of the individual member countries, and for some third countries. Accounting for heterogeneity in third countries revealed that a PTA among low-income countries had a particularly robust trade-creation effect (Deme & Ndrianasy, 2016).

East Asian regionalism and the rapid proliferation of PTAs developed against the backdrop of the Cold War's conclusion, the collapse of the Soviet Union and the growth of regionalism in other parts of the world, as well as China's rapid economic growth and its WTO accession (Dent, 2016). Whilst the EU, which started with the implementation of a customs union in 1958, had been implementing PTAs for many years, many Asian countries did not enter into any PTA until the 1990s. Notably, the ASEAN FTA experienced significant growth, increasing its membership from the original membership of 6 countries in 1992 to 10 by 1999, with Cambodia being the final signatory (Dieter, 2008). After the collapse of the Cancun Ministerial in 2003, the EU responded to the US by launching its GE trade strategy document in 2006, advocating an aggressive approach towards bilateral negotiations, requesting negotiating mandates for bilateral FTAs with India, South Korea, and ASEAN. More significantly, GE signalled the end of the EU's self-imposed ban on commercial FTAs that dated back to 1992 (Heron & Siles-Brugge, 2012). Heron and Siles-Brugge (2012, p. 2) explain that "While Global Europe reaffirmed the EU's continued support for the WTO, it nevertheless argued the case for FTAs going further and faster in promoting openness and integration".

Pascal Lamy, WTO Director in the Annual Memorial Silver Lecture at Columbia University in 2006, said "we must ensure regional trade agreements are complementary - and not a substitute - to the multilateral trading system". He added that "if the multilateral system dies away, so does the positive potential of regional trade agreements" (WTO, 2006). Notably, PTAs eroded the motivation for multilateral trade, being the greatest challenge to the WTO's role in multilateral trade governance, with the challenge becoming greater as PTAs went beyond WTO disciplines and promoted deeper cooperation on domestic regulatory issues.

However, with competitive liberalisation, an arguably more realist 'zero-sum' mentality emerged, laying the grounds for the rise of protectionist policies, the election of Donald Trump, Brexit, and the rise of populism as well as nationalism in international politics. Significantly, “deep PTA provisions often had non-discriminatory effects and international production networks can alter political economy forces that lead to the multilateralization of regional initiatives” (WTO, 2011, p. 45). Crucially, there was a shift away from multilateralism, initially through 'open regionalism', then through 'competitive liberalisation', and now a more mercantilist approach followed especially by the US and the EU, restricting imports and trying to protect domestic industries. Consequently, this diverged from the theory of free trade, which suggests that countries’ economic welfare is improved through the reduction of tariffs and fair free trade (Panagariya, 2019).

My position aligns with Lamy’s concern about the implications of regionalism for the multilateral system. While PTAs have clearly delivered benefits for many states, the evidence from the period that this thesis examines suggests that they have also contributed to a fragmentation of trade governance. Lamy’s view is useful for providing an analytical reference point for understanding how the shift away from multilateralism has developed. The thesis uses Lamy’s view in order to frame the broader context in which the US and the EU trade strategies have evolved. By situating the case studies against this context, the argument developed here highlights how the retreat from multilateralism influenced the environment in which both actors pursued their trade policies in East Asia.

## 1.4 Case study selection and research question

The rapid growth of bilateral FTAs in East Asia is especially remarkable, with the three major economies in the region, CJK, facilitating the establishment of FTAs. Significantly, after the Asian financial crisis, CJK have realised the necessity for regional economic cooperation and commenced their respective FTA initiatives. Despite CJK’s efforts to establish regional trade agreements in East Asia through studies and negotiations, success only came with the conclusion of the Regional Comprehensive Economic Partnership (RCEP) in 2020 (Choi, 2020).

The timeframe of the thesis, from the early 2000s onwards, allows for the exploration of three different case studies (CJK). These are the three major countries in East Asia and the most significant economies in the region, being at the same time central to PTA negotiations. Additionally, CJK are of great geostrategic importance to both the EU and the US, and they are their biggest commercial partners in the region, having extensive security interests in East Asia. Within the timeframe of the analysis, each one of these case studies allows us to explore the interactions of the US and the EU trade strategies and policies in East Asia, broadly reflecting the rise of PTAs in the region. Each of these case studies is qualitatively different, reflecting not only the rapid expansion of regionalism and FTAs in the early 2000s but also the subsequent slowdown and more contested nature of trade liberalisation after the global financial crisis. Taken together, the cases also allow us to trace the transition from the earlier phase of proliferation to the later phase of slowing liberalisation, highlighting how this shift deepened the divergence between the US and the EU approaches rather than producing convergence. Crucially, these cases reveal the similarities and differences of the EU and the US strategies in terms of their trade negotiations with those countries. Conceptually, this comparison also supports the main contribution of the thesis, as it allows me to show how different theoretical explanations, whether based on strategic interaction or domestic considerations, account for the variation across the cases. By tracing where systemic and domestic factors converge or diverge, the cases illustrate the role played by each analytical level.

These three cases together bring the story up to date, not only chronologically but also in terms of the literature. The research question of the thesis is: why did the EU and the US pursue similar trade strategies towards South Korea but very different strategies when it came to Japan and China? To unpack this question, the thesis also asks two further questions: 1) the role the US and the EU strategic competition and interaction played in the PTA developments in East Asia since 2001, which provides the context and most importantly 2) the extent to which systemic and domestic factors shaped their trade policies and negotiations across the cases of South Korea, Japan, and China. The case studies are partly chronological but overlapping and, as such, provide a shifting context within which to analyse the interacting trade policies and strategies of the EU and the US.

The inclusion of China as a case study in my thesis is crucial due to its role in altering the regional economic landscape and the global trade system. China, being both a rival and an economic partner, drives the US and the EU to adjust their trade strategies in different ways. This case study facilitates a thorough analysis of how economic and geopolitical factors interact to influence trade policy. In addition, the China case study demonstrates how domestic political considerations, such as the US's inward turn and the EU's internal disputes, limit policy responses to systemic changes. In particular, the case study of China allows us to uncover some of the geostrategic interactions on the global level and examine China's role. This is because China's size and geopolitical significance make it a different type of case. Unlike the cases of South Korea and Japan, which are allies of both the EU and the US, China is a systemically important actor. As a result, the geostrategic interactions concern how the EU and US respond to China not only as an economic competitor but also as a strategic rival, resulting in an adjustment of their trade and security policies. Japan, as the third-largest economy in the world, comes later in terms of competitive liberalisation, following the lead of the American and European trade policies in liberalising developing economies. The EU's FTA with Japan entered into force on 1 February 2019, and a few months later, the US and Japan reached a trade agreement on market access for specified agricultural and industrial products, alongside plans to pursue subsequent negotiations to establish a comprehensive FTA. South Korea is the only country in the world that has an FTA with the EU, the US, and China, being one of their most important trading partners and allies (Choi, 2020).

South Korea is a crucial case in this thesis due to its distinctive positioning at the intersection of international trade, East Asian geopolitics, and strategic rivalry. It is the only instance among the three case studies where the EU and the US concluded FTAs with the same partner in close succession. This almost concurrent pursuit provides a useful framework to analyse potential strategic convergence and interaction. It should be noted that the South Korea case reflects not only the pursuit of commercial objectives but also the interplay of system-level and domestic-level factors, including geopolitical rivalry, institutional trade capacities, and the influence of national policy frameworks.

Most importantly, the KORUS FTA is a central pillar in the FTA network in East Asia, serving as a building block for a wider APEC trade agreement, being the second-largest FTA for the

US after NAFTA and the second largest for South Korea after the EU-South Korea FTA. In addition, the KORUS FTA is by far the most commercially significant FTA the US has undertaken, balancing China's increasing influence in the region. The KORUS FTA was presented to Congress by President Bush as a means to further improve the already strong US–South Korea relations, as well as stability and prosperity in the region (Heydon and Woolcock, 2009). As far as the EU-South Korea FTA is concerned, it is the first agreement of the 2006 GE strategy and the first FTA the EU concluded with an Asian country in order to solidify the EU's presence in Asia. Moreover, the EU-South Korea FTA represents the EU's first comprehensive trade agreement concluded with a developed economic power, thus realising its GE vision (Cooper et al., 2011A).

The Japan chapter shows how divergent domestic political priorities, institutional structures, and reactions to systemic changes, most notably the US departure from the TPP, resulted in distinct trade policy outcomes. In addition, it shows Japan's autonomous role in regional trade governance, particularly through its leadership in the advancement of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and its strengthening trade ties with the EU through the Economic Partnership Agreement (EPA). The empirical insights from this case, informed by elite interviews, reinforce the broader argument that trade policy is linked to both domestic political concerns and evolving international power relations.

Japan is the world's third-largest economy, the sixth-largest trade partner of the US, a top source of FDI in the US, and the largest foreign holder of the US government debt. The stock of the US foreign FDI in Japan was valued at $63 billion in 2023, concentrated in finance and insurance.  In the last few years, Japan has concluded several major FTAs that exclude the US, with potential implications for the US stakeholders. Importantly, the Japan-led CPTPP took shape after the US withdrawal from the TPP and entered into force at the end of 2018. In the meantime, an FTA was signed in February 2019 between the EU and Japan. Noticeably, these two trading partners accounted for nearly 30% of total US trade in 2019. As the EU-Japan FTA was put into effect, the US faced increased pressure from stakeholders to secure similar access to these significant markets. In November 2020, Japan signed the RCEP trade agreement, which will reduce trade barriers among its fifteen Asian members, including China, once it takes effect (Cimino-Isaacs & Kitamura, 2025).

The EU is Japan's third largest trading partner, whereas Japan is the EU's sixth largest. About 30% of the world's GDP and 40% of its trade come from the EU and Japan. Officials from the EU and Japan presented their FTA as the most important agreement ever concluded by the EU and the world's largest, free, industrialised economic zone. The FTA talks concluded at a time of uncertainty for regional trade integration efforts. After abandoning Obama-era initiatives, the TPP, which included Japan, and the US-EU TTIP, the Trump Administration notified Congress of new separate trade negotiations with Japan, the EU and the UK. The FTA removes tariffs on almost all EU-Japan trade and nontariff barriers in key sectors. Terms include market opening for the EU agricultural products, while Japan will gain advantages for its competitive auto sector. The FTA not only has commercial consequences for the US, but also for the US role in shaping debates over trade rules in areas central to the US competitiveness (Cimino-Isaacs, 2020).

China's growth is frequently posited as one of the most significant developments in the international system since the end of the Cold War, prompting predictions that it will become the strongest power sometime this century (Brown, 2018). Its political, strategic and economic relationships with the EU and the US have attracted the interest of academics across the world, mostly within the US. Since the Asian Financial Crisis, China has become more active in establishing institution-building and economic cooperation in East Asia, actively pursuing PTAs (Shaw, Grant & Cornelissen, 2011). Most importantly, China, after its entry to the WTO, started to propose and to actively pursue PTAs in East Asia, considering that the regional markets are of vital importance for its exports (Grieco, Ikenberry & Mastanduno, 2015). China was not an active user of PTAs until 2000, like many other Asian countries. At that time, China was only involved in the Asia-Pacific Trade Agreement (APTA) (Eckhardt & Serrano, 2014).

Competition between China and the US is currently playing out on an increasingly global scale, but the main locus of the competition between the two countries is the vast Indo-Asia Pacific region, and it is centred in Northeast and Southeast Asia. It should be noted that despite the fact that the Barack Obama administration's "pivot" significantly raised the US profile in East Asia, China has also expanded its presence and influence in the region (Shambaugh, 2018). Since 2018, there has been a rapid escalation of trade disputes between the US and China, with the Trump administration making a series of trade policy announcements, in particular tariffs on Chinese imports, which prompted China to take countermeasures. As the trade tension intensified, both sides seemingly reached a stalemate and neither deviated from their course. The US–China trade war finally turned from threat to reality after July 2018 (Wang, 2019).

### 1.4.1 South Korea

The South Korea case study offers a useful framework to examine the broader landscape of the EU and the US trade policy formation and the extent to which strategic interaction, institutional preferences, and domestic political considerations influence FTAs. Notably, the parallel timing of the EU-South Korea and US-South Korea FTAs has regularly been explained as evidence of competitive liberalisation. However, a closer empirical analysis shows that the sequencing was mostly coincidental and driven by internal decision-making processes within Brussels and Washington, rather than by a reactive approach between the two. The South Korea case draws on realist perspectives to examine strategic balancing and liberal institutionalism to explore economic interdependence and institutional design. Notably, this approach makes it easier to explain trade policy action in a way that takes into account both domestic political-economic considerations and systemic factors.

The chapter demonstrates that although both the EU and the US considered South Korea as a strategically important partner, their trade agreements diverged significantly in terms of legal framework, normative emphasis, and institutional design. Strong emphasis on regulatory convergence, sustainable development, and a cooperative form of governance that reflects the EU's embedded liberalism and rule-shaping external policy are characteristics of the EU-South Korea FTA. In contrast, the KORUS FTA adopts a more legalistic, market-access-oriented approach, prioritising intellectual property protection and enforceable liberalisation consistent with the US's more prescriptive trade diplomacy.

Importantly, the analysis challenges some assumptions in the competitive liberalisation literature by showing that the US approach during the Bush administration was shaped more by unilateralist tendencies and a securitised vision of trade policy, rather than a long-term, cohesive geopolitical strategy. In contrast, the EU’s strategy, which focused on institutionalising norms and increasing regulatory influence, was more in line with its broader GE agenda. One of the main arguments of the thesis is empirically supported by these results, which show that although there may be surface-level competitive interaction, the deeper institutional and political-economic drivers of trade policy differ greatly between the US and the EU.

### 1.4.2 Japan

The Japan case is important because it shows how similar systemic pressures, particularly the erosion of multilateral trade institutions and the emergence of economic nationalism, can lead to different responses among major powers. In contrast to the South Korean case, where the US and EU signed full FTAs largely concurrently and with similar strategic goals, Japan presents a distinct divergence. Specifically, the US move towards bilateralism and transnationalism contrasts with the EU commitment to multilateral frameworks. This divergence highlights Japan's unique approach of maintaining strong relations with the US while expanding economic alliances elsewhere, offering strong evidence that contradicts theories of convergence among Western trade actors.

The Japanese case demonstrates the usefulness of applying both liberal institutionalist and realist perspectives as well as the domestic-level theories of ideas, interests and institutions. While the EU's pursuit of the EPA aligns with liberal institutionalism, emphasising rules-based economic cooperation and multilateral governance, the US approach under the Trump administration reflected a shift towards economic realism, with trade policies serving short-term domestic interests and strategic leverage.

The Japan chapter shows a notable departure from the pattern seen in the South Korean case, thus reinforcing the thesis’s core claim that the EU and the US have largely pursued independent trade strategies in the Asia-Pacific. While the EU-Japan EPA continues the EU's commitment to a rules-based, comprehensive trade approach, the US response was notably more cautious, favouring a less formal economic framework rather than a comprehensive FTA. This divergence contrasts with the apparent convergence observed in South Korea, where both the US and EU negotiated comprehensive FTAs despite having different domestic and geopolitical motivations. The absence of strategic interaction in the Japan case strengthens the argument that the apparent competitive liberalisation between South Korea and others may have been more coincidental than intentional. By situating these developments within broader changes in trade politics and institutional preferences, the thesis challenges existing ideas about trade policy competition. Instead, it highlights how domestic political factors and structural differences shape external economic and trade strategies.

### 1.4.3 China

The case of China highlights the interplay between domestic and systemic factors in the formation of trade policy. It demonstrates that trade policies in the US and the EU are not simply influenced by external competitive forces, but also by domestic political considerations, notably domestic manufacturing concerns in the US and intra-EU tensions regarding normative and commercial priorities.

The US and the EU have engaged with China through bilateral trade and investment frameworks, but their approaches have been characterised by ambiguity, asymmetry, and a divergence between geopolitical reality and normative objectives. Contrary to the assumption that rising interdependence would foster convergence or institutional alignment, the China case allows the thesis to explore whether the US–EU trade relations have been shaped less by coherent strategy and more by reactive, and often contradictory impulses. Unlike the South Korea and Japan chapters, the case of China highlights the challenges of strategic trade engagement in the lack of shared rules, reciprocal institutional access, and mutual trust.

Trade relations between the US and China underwent a fundamental departure from liberal trade principles during the first Trump administration, representing a significant departure from earlier commitments to multilateralism. The EU, while rhetorically committed to rule-based engagement, has faced its own contradictions, oscillating between treating China as a "strategic partner," "economic competitor," and "systemic rival." The lack of a bilateral investment agreement until very recently, the weak enforcement of existing rules, and the deepening concern over Chinese state capitalism reveal the structural limitations of the EU's trade strategy vis-à-vis China. Importantly, this chapter illustrates that while both actors recognise China's centrality in global trade governance, neither has been able to establish a stable, rules-based framework for engagement that reconciles economic interests with strategic concerns.

These findings strengthen a key argument of this thesis that the EU and the US divergence stems not only from a function of different strategic cultures, but also from the structural difficulties of engaging a non-liberal economic power into the established liberal trade order. In contrast to the case studies of South Korea and Japan, the China chapter is crucial for revealing the lack of deep institutionalisation, the fragile nature of normative agendas, and the dominant influence of geopolitical factors. This chapter further reveals that constraints on the EU and the US arise from domestic politics and institutional path dependencies, and the changing international political economy, which is increasingly dominated by an assertive China. In this respect, the China case highlights not only strategic differences but also the broader divergence in how the US and the EU have responded to the slowing of trade liberalisation since the global financial crisis. Whereas earlier chapters capture the expansionary wave of regionalism, the China chapter illustrates how the stalling of trade integration exposed the limits of each actor's approach, sharpening rather than narrowing their differences. In doing so, the chapter speaks directly to the thesis's central argument: that trade policies and strategies in East Asia are not shaped primarily by strategic interaction between the US and the EU, but by their internally driven, and often incompatible, approaches to economic diplomacy, institutional design, and global order.

## 1.5 Research design and methodology

This thesis adopts a qualitative approach using case studies in order to answer the research question based on data from a variety of sources (Yin, 2003). More significantly, an analytical and descriptive route is pursued to answer the research question through a comprehensive review of the literature and the use of case studies. Importantly, the existing literature is qualitatively reviewed in order to tease forth the relevant information. Select issues in the US and the EU trade policies and strategies in East Asia and their relations with CJK will be identified and discussed individually as specific case studies.

The use of qualitative methods with case studies leads to an in-depth comprehension of the research topic, avoiding generalisations and inferences from many cases, explaining how and why that event, in that place and at that time, took place. To put it another way, "when we seek to understand or explain how and why a political institution, event, issue or process came about, we are asking questions that can be answered using qualitative methods" (Lowndes, Marsh & Stoker, 2018, p. 237). Significantly, the use of qualitative methods in political science and international relations (IR) concentrates on detailed, text-based answers, including personal observations and reflection from participants in political institutions, events, issues or processes, and it is characterised as 'thick' description and analysis (Lowndes, Marsh & Stoker, 2018).

The use of case studies is of great importance when the focus of the research is to answer how and why questions, without being able to manipulate the behaviour of those involved in the study, and the boundaries between the phenomenon and the context are not clear (Yin, 2003). It should be noted that while considering what the research will be, it must be considered what the case is, but determining the unit of the case is quite challenging. After the case has been determined, the researcher has to consider what the case will not be, and many researchers try to answer a question that is too broad or a topic that has many objectives for one study. Many authors suggest that placing boundaries on a case can prevent this problem (Baxter & Jack, 2008).

It should be noted that self-containment and typicality are of great importance for qualitative research based on case studies. More precisely, the variables of a case study should be distinguishable and unaffected by complex external factors, with the case study being typical of the variety of other possible case studies; thus, conscious selection and in-depth and careful research are vital before the choice is confirmed (Pierce, 2008). In my thesis, the case study approach is exploratory, leading to insight and comprehension, following an open and flexible strategy in terms of the research. Because exploratory studies do not emphasise the collection of detailed information, this approach was augmented by adopting a descriptive approach, which emphasises description and understanding the event within the concrete, natural context in which it occurs (Babbie & Mouton, 2001).

The research method employed in this thesis is a combination of qualitative approaches, using multiple data sources including journal articles, books, electronic books, archives, interviews, policy statements and reliable internet resources. The thesis incorporates primary material and a number of semi-structured interviews. The arguments in the thesis are supported by interviews in the field with policy elites in the European Union, the office of USTR, the WTO, think tank specialists and scholars. Interviews have been carried out in order to determine, cooperate and support in the interpretation of the information found in documents and other sources, in a way confirming the information from these sources, as well as adding new empirical information.

In addition, the thesis draws on a broad range of literature, such as scholarly texts and books, as well as a wealth of journal articles on IPE, IR, trade policy and foreign policy analysis, providing a mix of timely scholarly analysis and more extensive and in-depth works that benefit from hindsight. More significantly, a preference for recently published texts must be admitted, given the increased chances that authors of these texts will have benefited from being able to draw upon the ever-increasing number of declassified documents. Given the predominantly empirical nature of this research, these sources are of paramount importance for compiling as complete a picture as possible of the research topic and question.

In addition, the thesis incorporates statistics available from research institutes of the US, the EU, South Korea, China and Japan. After the collection of the data, the thesis adopts the process-tracing method, aiming to synthesise evidence derived from primary and secondary sources. Importantly, process tracing provides a useful tool to “uncover what stimuli the actors attend to; the decision process that makes use of these stimuli to arrive at decisions; the actual behaviour that then occurs; the effect of various institutional arrangements on attention, processing, and behaviour; and the effect of other variables of interest on attention, processing, and behaviour” (George & McKeown 1985, p. 35).

Within case study research, the researcher can collect and incorporate quantitative data to achieve a comprehensive understanding of the research subject. Significantly, data from these multiple sources are then converged in the analysis process instead of being processed individually. Each data source is one piece of the "puzzle," contributing to the researcher's understanding of the whole phenomenon. Consequently, strength is added to the findings due to the fact that the various strands of data are synthesised in order to provide a comprehensive understanding of the case (Baxter & Jack, 2008). Significantly, the use of case studies contributes to the establishment of rapport with the research subject, leading to comprehensive descriptions and a deep understanding (Ponelis, 2015).

In order to gather the primary data required for the research, it is necessary to conduct a series of interviews. The knowledgeable individuals selected for these interviews include scholars, as well as government officials, trade policy experts, and researchers working within governmental policy institutions, International Organisations (IOs) and think tanks. The interviewees have specialised knowledge in areas related to the political economy of international trade, trade politics and trade policy, East Asian regionalism, South Korea, China, and Japan economic and political relations with the US and the EU, and the developments of PTAs in East Asia among others. It should be noted that these are in-depth interviews, exploratory and qualitative, focusing on the distinctive features of the situations and events, providing information on understandings and insight, being useful for comprehending actor motives and rationale. The use of interviews with other case study data provides an intensive, holistic description and analysis, engaging in conversations with the participants in a natural setting. In addition, the interviews facilitate the collection of the unique perspective of each participant, allowing the verification of facts that appear in policy documents and articles (Ponelis, 2015).

The type of interview used in my thesis is the semi-structured interview, using a schedule of a limited number of questions related to the topic, pre-determined and alternative supplementary questions. The questions of the interviews are open, seeking open and lengthy answers, being concerned with why and how, beliefs and opinions, as well as forecasts, following the pattern of good conversations in which rapport develops, stirring discussion on the interviewees' specific areas of expertise. The interviews are audio-recorded, supplemented by notes and then transcribed into text, eliciting rich descriptions and explanations in identifying local contexts (Pierce, 2008). The questions of the interviews aim to craft research problems that are theoretically central and empirically focused, illuminating larger theoretical and social concerns (May, 2002). The conversations are tailored to specific subjects relevant to each interviewee's expertise and knowledge.

As far as the number of interviews is concerned, twenty interviews have been conducted in order to reach saturation. The interviewees are collectively referred to as "key informants", and the process is known as "key informant interviews", leading to a deeper understanding of the study problem and the related issues connected to it. Importantly, these interviews are used to collect the basic data to gain an understanding of the relationships between the people in the study and the broader social group that the research is focused on. The primary goal of the interviews is to gather the detailed descriptions that define much of qualitative research (McNabb, 2010). Risks and issues include the fact that I was not able to interview as many current and former policy officials as desired. Also, it proved challenging to locate former officials who had transitioned to new positions and organisations. In addition, some interviewees did not provide much new information. However, I cited interviews of high quality and drew on other sources, such as policy documents from the EU and the US, in order to provide supporting evidence throughout the thesis.

## 1.6 Structure of the thesis

This chapter provided an overview of the rise and evolution of PTAs in general and in East Asia in particular, and plans for this research, establishing the background, timeframe, theoretical framework, case study selection, rationale and objectives of the thesis, as well as the research design and methodology. A detailed literature review is undertaken in Chapter 2, focusing on system-level and unit-level theories. The strengths and limitations of systemic IPE theories are examined in this chapter, alongside domestic-level theories, providing an overview of the existing literature and the theoretical framework adopted in this thesis.

Then I analyse the three case studies in three different empirical chapters. More specifically, the South Korea chapter investigates KORUS and the EU-South Korea FTA, focusing on the temporal proximity and strategic significance of these negotiations. This chapter examines the almost simultaneous negotiations of FTAs by the EU and the US and explores whether this apparent alignment reflected competitive liberalisation or was instead shaped by domestic and institutional considerations.

The Japan chapter examines the degree of convergence and divergence in the EU and the US trade strategies towards Japan. It investigates whether the EU and the US trade approaches towards Japan were influenced by direct competition or were driven by domestic considerations, existing trade policy directions, and regional strategic priorities. In Chapter Five, the US and EU trade strategies and policies towards China are examined, placing them within the framework of political risk and economic competition. More specifically, this chapter explains the shift in policy from engagement to containment during the Trump and Biden administrations, alongside the EU's more pragmatic strategy, engaging economically while implementing safeguards intended to minimise risks. Additionally, the chapter examines China's impact on regional trade architecture and emphasises the interaction between domestic factors and systemic pressures in influencing the US and the EU trade policy responses. The final chapter reflects on the main empirical findings of the thesis, synthesises its theoretical contributions, and identifies opportunities for future research, drawing on the insights from the comparative analysis of the three case studies.

# Chapter 2: Literature Review - The IPE of International Trade

## 2.1 Introduction

This part of the chapter provides an overview of the existing literature in order to establish the conceptual framework applied in the next chapters, examining the contributions of realism and liberal institutionalism. Even though constructivism offers important insights, it falls outside the primary scope of this thesis. The emphasis here is instead placed on the material and institutional aspects of IPE, as framed by the system-level theories of realism and liberal institutionalism. This review thus provides the theoretical foundation for understanding and analysing PTA developments in East Asia, particularly the strategic involvement of the US and the EU, and situates the study within broader debates on regionalism, trade policy and global trade governance. In doing so, the review also identifies gaps in the literature concerning strategic interaction between major powers in shaping regional trade architectures.

The chapter starts with system-level theories, including realism and liberal institutionalism. The discussion on the second part of the chapter moves to the domestic level approaches, examining how interests, institutions, and ideas influence trade policy outcomes and preferences. The section on interests assesses how societal groups, particularly business actors, labour, and agricultural producers, mobilise to influence trade policy. The section on institutions considers how political systems, veto players, and delegation arrangements condition the responsiveness of governments to these pressures. Finally, the section on ideas explores how policy paradigms, frames, and normative beliefs influence elite decision-making, preferences and broader public debates. It should be noted, however, that the discussion of ideas in this thesis is situated mainly in reference to liberal institutionalist accounts, focusing on how ideas shape and constrain trade policy preferences rather than treating them as constitutive forces as in its fully blown constructivist guise. Together, these perspectives provide a multi-level analytical framework that guides the empirical chapters of the thesis.

## 2.2 System-Level Theories

IR and IPE theories examine the circumstances in which states to cooperate and achieve mutually beneficial outcomes (Keohane, 1984; Grieco, 1990). Theories like realism (Waltz, 1979; Grieco, 1993) and neoliberal institutionalism (Keohane, 1984; 1993) put emphasis on the centrality of states as actors in order to explain international political and economic relations. According to these theories, states are the major actors of the international system, acting based on their self-interest. Significantly, these theories explain state behaviour through system-level analyses, focusing on the causal power of the structure of the international system. However, they differ in important ways. Realism emphasises inter-state rivalry and competition under conditions of anarchy, whereas neoliberal institutionalism examines how cooperation between states can emerge and be sustained through institutions, rules and repeated interaction.

This part of the thesis focuses on systemic theories such as realism and liberal institutionalism, presenting their origin, core concepts, key assumptions, relative strengths, and limitations. More specifically, I treat each theory and its application to PTAs separately, placing particular emphasis on theoretical explanations, taking into consideration that there has been a gradual drift away from multilateralism, which now directly threatens the survival of the global trade regime, analysing, examining and discussing the reasons behind this drift. Realism, and more specifically neo-realism, has been one of the most influential approaches in the study of IR and international politics, offering a way of accounting for the institutional structures that shape international behaviour (Beeson, 2017). In contrast with classical realism, which places greater emphasis on power, neo-realism focuses more explicitly on the anarchic structure of the international system and the distribution of capabilities across states. The distinction also lies in neo-realism's emphasis on how the international system can shape and constrain state behaviour. Nonetheless, either classical realism or neo-realism has its limitations, and other theories contribute to a more comprehensive understanding of the incentives behind the actions of states, as described in the following sections.

This section highlights the fundamental points of view and the importance of systemic theories and illustrates their relevance to the thesis. Importantly, realism can explain why there are emerging powers in the international system today, such as China. Unlike unit-level theories, which explain why different units act in different ways despite similar placement in the system, systemic-level theories have succeeded in explaining why different units behave in similar ways (Nye, 1988). Keohane (1984) argues that without a prior analysis of systemic theories and systemic factors, "unit-level analysis of world politics floats in an empirical and conceptual vacuum" (Keohane, 1984, p. 26). To put it another way, it is necessary to take into consideration the international influences on the political drivers of PTAs because systemic factors lead countries to particular actions in the international system (Mansfield & Milner, 2012).

### 2.2.1 Realism

Realists adopt a top-down approach to foreign policy analysis, with the anarchic character of the international system forcing states to secure their own interests through self-help behaviour. Whether states are predominantly security-maximising or power-maximising is a crucial component of realist foreign policy decisions (Waltz, 1979; Mearsheimer, 2009). For the former, states are rational actors that seek to balance external threats when they arise and maintain the status quo; for the latter, security is more difficult to attain due to the anarchic nature of the international system, and states seek to maximise their share of global power as the only certain way to guarantee survival. When predicting the foreign policies of major actors in the international system, realists suggest that states seek to maintain a balance of power. Notably, realists view the US as the leading great power after WWII, with China regarded as a rising or potential great power rather than one that has already attained that status. On the other hand, the EU is not considered a great power in realist accounts due to the fact that it lacks the military capacity that would allow it to compete with traditional state powers. While realists may recognise that domestic political considerations can influence a state's policy, they maintain that "unit-level factors usually do not have much effect on foreign policymaking, and when they do, they do so in ways that are consistent with balance-of-power logic" (Mearsheimer, 2009, p. 246).

The realist political economy suggests that most of the processes and choices that result in the creation of international institutions, rules and expectations have a significant political component, and the economic choices that states make have major political impacts. Rules and their enforcement depend on choices made by powerful states, and the economic transactions that occur have significant implications for global prosperity (Grimes, 2009). Realism argues that systemic factors are of vital importance for shaping the foreign policy of a state, stressing that the international system is anarchic and that there is no higher authority than states. To be more specific, these systemic factors refer to the structural conditions of the international system, especially the lack of a principal authority, which is embodied by the idea of anarchy and causes states to feel insecure. As a result, states rely on self-help strategies to survive, prioritising relative gains over absolute ones. In this context, international cooperation is constrained by concerns over the distribution of benefits, since any advantage gained by one state may be perceived as a potential threat by another. Importantly, the US power in relation to other nations affected its foreign policy during the period after World War II (WWII), in terms of furthering its interests and reacting to the systemic pressures of the Cold War. Notably, containment and construction of a Western alliance system were of paramount importance to counter the Soviet Union, which was viewed as the primary threat to the liberal global order. In this context, broader security objectives took precedence over trade policy. Significantly, the US was willing to accept trade discrimination from key allies such as Western Europe and Japan, viewing their economic recovery and geopolitical alignment as strategically more important than immediate commercial gains (Cox & Stokes, 2018).

International politics and IR have been described for a long time in terms of states seeking power, influence and security in an anarchic world. States establish strong and stable relationships with other states, forging alliances and balancing the power and influence of others to maintain their independence. For instance, France allied with Great Britain because it feared Germany (Nye, 2004A). As mentioned, a key systemic concern for realists is the distinction between relative and absolute gains. While liberal theories highlight the potential for mutual benefit through absolute gains, realists argue that states are more interested in how much they gain in comparison to others. It should be noted that this emphasis on relative gains is the result of the anarchic nature of the international system, where an uneven distribution of benefits may change the balance of power and eventually put at risk the security of a state (Grieco, 1988).

## Hegemonic Stability Theory

The most extensive debate regarding power and the global trade regime revolves around how the multilateral system is established and sustained. HST highlights the importance of a hegemon for establishing a system of free multilateral trade. Significantly, the hegemon is essential for creating international institutions because the potential benefits would be high enough to offset the maintenance costs and ensure adherence by others. HST also draws attention to the distinction between insiders and outsiders within the multilateral trade system. Insiders, already part of the regime, were able to dictate the terms of entry for outsiders, often demanding significant commitments in exchange for membership. This allowed the hegemon and its allies to shape the rules of the system and secure their advantage, forcing newcomers, such as developing or post-socialist nations, to make major concessions for joining institutions like the WTO (Kindleberger, 1973; 1981; Krasner, 1976). Importantly, HST suggests that the hegemon is central for creating and sustaining international economic regimes. However, realists such as Gilpin (1981) argue that this leadership stems mainly from self-interest rather than from a commitment to the provision of global public goods. Taking this into consideration, the hegemon only supports and enforces the system because it benefits from it directly, continuing to bear the costs of maintaining open markets and institutions as long as the perceived advantages outweigh the burdens. Noticeably, this explanation challenges the concept of "enlightened self-interest" that is sometimes linked with the public goods argument and instead situates hegemonic leadership in the pursuit of power and material gain (Gilpin, 1981).

Realists argue that it is difficult for countries to cooperate without the existence of a hegemon because the gains between the most powerful countries might wash out potential absolute gains. The main realist solution to these problems can be found in HST (Grimes, 2009). HST attempts to explain the post-war liberal international economic order, focusing on the benign consequences of an uneven distribution of material power, offering a theoretical framework to account for the international order in contrast to the more orthodox realist concept of the balance of power. The theory of HST emerged as a widely accepted explanation through which to understand the development of the global economy following WWII and the central role the US played in it. This reflected the post-war economic shift, which was defined by the gradual trade liberalisation and the material dominance of the US (Kindleberger, 1973; 1981; Gilpin, 1981; 1987).

Significantly, HST continues to occupy a prominent position in the existing literature because there are no other system-level theories that have supplanted it yet. The erosion of the post-war international economic order that began in the early 1970s resulted in academic interest regarding the political correlations of open international markets (Gowa, 1994). This interest led to the argument that the world was safe from tariff wars and financial crises due to the existence of a predominant power, with Kindleberger (1973) arguing that international free trade is a public good. HST offers a theoretical basis to comprehend the impacts of a rising power, explaining the key characteristics a country needs in order to be a regional or global hegemon (Lipson & Cohen, 1999).

HST suggests that a hegemon will create stable relations in terms of politics and economy in the international system (Lee & Son, 2014). The theory originated in the work of Charles Kindleberger on the Great Depression, in which Kindleberger (1973, p. 305) suggested that "for the world economy to be stabilised, there has to be a stabiliser, one stabiliser". Kindleberger paid particular attention to the creation and maintenance of the international economic infrastructure, which includes a medium of exchange, sufficient liquidity and a set of basic property rights, arguing that stability is a public good. This observation is of paramount importance, with Kindleberger locating stability in the global economy, within the broader context of Olson's theory of collective action (Hasenclever, Mayer & Rittberger, 1997). In addition, Kindleberger (1973) points out that there is a positive correlation between the failure of the hegemon to make the necessary sacrifices to preserve an open international economic system and the prolongation of the Great Depression.

In Kindleberger's (1973) view, the hegemon must recognise its responsibilities for the management of the world economy. Notably, in the 1930s, the US did not understand its role. The US became a leader of the global economy during and post the Cold War, relying on partnerships with Japan and the EU. Nowadays, the US must work with China over the management of the global economy, but China is seen as a rival of the US in terms of economy and geopolitics (Grieco, Ikenberry & Mastanduno, 2015). Kindleberger (1973) argues that the hegemon must be able to provide public goods in order to maintain stability in the international system, keeping its market open to trade, providing international financing and liquidity and pursuing expansionary macroeconomic policy measures. In the international system, elements such as security, an open trading system, consistent macroeconomic policies, clearly defined property rights, and appropriate action in cases of economic crises are widely viewed as public goods (Griffiths, 2011). However, not everyone agrees with this perspective. More specifically, scholars like Gilpin (1981) contend that hegemonic leadership is rooted in self-interest and can be quite coercive, with hegemons using their dominance to shape institutions and rules to benefit their own interests.

The decline phase of HST refers to the period when the global power loses either the ability or the willingness to maintain the international economic system stable. As the hegemon's relative capabilities decline, its capacity to supply public goods such as open markets, financial liquidity, and institutional leadership diminishes right along with them. This stage is usually marked by an increase in uncertainty and a decrease in cooperation. As a result, there is often a shift away from global structures towards more fragmented regional or bilateral agreements. The decline of hegemonic leadership can thus create space for alternative forms of competition or governance, which can eventually erode the stability and coherence of the global economic order (Gilpin, 1981; Keohane, 1984).

When the global hegemon can no longer supply public goods, the stability of the international system is immediately put in jeopardy. More precisely, when the global hegemon begins to lose its relative power or willingness to lead, the stability of the international system becomes increasingly fragile. According to HST, this decline phase is marked by the erosion of the hegemon’s capacity to supply key public goods, which in turn leads to uncertainty and greater fragmentation in the global economy (Keohane, 1984). A hegemon is of vital importance for the stability of the global economic system, but the decline of the hegemon implies instability and a flood of PTAs and RTAs, strengthening regional cohesion (Mansfield, 1998).

More significantly, from the perspective of IPE, the relative economic decline experienced by the US in the late 1980s and 1990s went hand in hand with the stalling of the multilateral trade system and the proliferation of PTAs, which the US itself participated in when it concluded NAFTA in 1993. Notably, other major powers responded to make sure that they would not be placed at a competitive disadvantage, leading to regional economic blocs in North America, Western Europe, and East Asia (Mansfield & Milner, 2012). The stability of the international trade system is a function of the distribution of power in the global political and economic arena. Particularly, HST is used to explain the shifts in the system between periods it is open and liberal and periods in which it is closed. HST rests on the logic of public goods provision. Public goods are conventionally defined as both non-excludable and non-rivalrous. Once supplied, all actors can benefit, and one actor's consumption does not diminish availability for others (Oatley, 2011A). However, this view has been disputed. Realist critics, such as Gilpin (1981), highlight that hegemonic actors may decide to create conditionalities or deny others access, thereby undermining the non-excludability assumption. Gowa (1989; 1994) further improved the public goods framework by incorporating it in a Prisoner's Dilemma logic, arguing that the stability of international trade depends on the hegemon's ability to prevent free riding by discriminating among the exports of smaller nations. The core problem is that rational actors are motivated to take advantage of the system's benefits without contributing to its costs, which results in a shortage of public goods (Sandler, 1992). Thus, while HST provides a useful framework for understanding the structure of international economic relations, the assumptions underpinning its public goods logic remain contested.

According to HST, IOs like the WTO have public good characteristics. For instance, international rules and procedures benefit all states. Due to the fact that IOs have public good characteristics, the effectiveness of their provision can be compromised due to the challenge of free riding. Noticeably, all governments aim to benefit from global trade rules, but none wishes to be responsible for the cost of their provision (Oatley, 2011A). Further to this, an open international economy, which allows the free trade of commodities, is a public good because all countries have economic benefits that would not be available if the economy was closed. HST suggests that the collective good for an open economy and free trade requires a leader to keep it open (Kegley & Raymond, 2014).

Gowa (1989) suggests that international trade theory points out that a large country that can influence its terms of trade and the price of its exports, increases its income by imposing an optimum tariff that is set at a level that maximises the net gain that accrues from the improved terms and reduced volume of trade. However, if all states use an optimum tariff, the trade volume will be reduced, but the terms of trade will not change. Notably, it is not easy to achieve the mutually preferred outcome of free trade because it is more beneficial for each country to decrease the optimum tariff if other countries do not decrease it. Consequently, trade theory characterises trade among states as a Prisoner's Dilemma game, where two players have two available options whose outcome largely depends on the choice made by the other player, without cooperating with each other even if it is more beneficial to do so (Gowa, 1989).

If no one will contribute, then no public goods will be produced, but if both will cooperate, then both will be better off. According to Gowa (1994, p. 12) ''each is better off defecting than cooperating regardless of what the other does'', with defection being a dominant strategy for each player. Kindleberger (1973) explains that a stable international free trade system requires the existence of a hegemonic power and if countries locked into a Prisoner's Dilemma in terms of international free trade, then it is necessary the existence of a hegemon who ''has an incentive to see that the collective good is provided, even if he has to bear the full burden of providing it himself'' (Olson, 1971, p. 50).

After WWII, the US provided security through the US security umbrella in order for countries of Western Europe and Japan to focus on economic recovery, using its currency as the main reserve asset. More precisely, the US supplied US dollars for the Marshall Plan, providing financial assistance to key allies and maintaining an open market for exports from other countries (Cohn, 2016). Admittedly, the dominance of the US dollar as the international currency, the huge size of the US financial markets, the importance of the US government bond markets as a global benchmark and its strong position in IOs such as the IMF and the World Bank (WB), gave the US the platform to exert power (Grimes, 2009). According to Keohane (1984, p. 32), the hegemon "must have control over raw materials, control over sources of capital, control over markets and competitive advantages in the production of highly valued goods". Strange (1987) suggests the elements of structural power that a country needs to have in order to be the global hegemon. More specifically, structural power lies with those who are able to exercise control over other people's security. Further to this, it lies with those able to control the system of production of goods and services, with those able to determine the structure of finance and credit, as well as with those who have most influence over knowledge (Strange, 1987).

It is important to note, however, that Strange's conceptualisation of structural power led her to a noticeably different conclusion from contemporaries such as Keohane and Gilpin. While the latter highlighted the decline of the US hegemony during the 1970s and 1980s, Strange argued that the US continued to possess the necessary structural capacities to act as a hegemon. For her, the apparent weakening of the US leadership was not primarily a question of capability but rather of political will, as Washington chose not to exercise its potential dominance fully. This distinction was significant in challenging the declinist orthodoxy of the period and reshaping the debate about the durability of American primacy in the IPE (Strange, 1987).

Hegemony in terms of domination by scholars in IPE and IR is understood as "dominance of one state over the others" (Cox, 1993, p. 264) or "preponderance of military and economic capabilities (Ikenberry & Kupchan, 1990, p. 49). As Cox (1993, p. 52) suggests, "Gramsci took over from Machiavelli the image of power as a centaur: half man, half beast, a necessary combination of consent and coercion. To the extent that the consensual aspect of power is in the forefront, hegemony prevails. Coercion is always latent but is only applied in marginal, deviant cases". According to Nye (2004B), after WWII, the US was not only the most powerful country in terms of economy and military, but it was the strongest country in terms of soft power, getting what it wanted to get through attraction and consent rather than through coercion and violence. Significantly, realism has seen the pursuit of PTAs as a tool of strategic competition and as a way of enhancing the relative gains for a country by imposing its norms and standards on other countries. This has been termed 'imperial harmonisation,' due to the fact that the norms and standards that are imposed penetrate deep into domestic preference structures and policies (Baldwin, 2006).

The implications of HST are twofold for trade perspectives. First, during periods of hegemonic strength, the provision of stability and the supply of public goods in the form of open markets and institutional leadership foster conditions conducive to multilateral liberalisation. This helps to explain the post-war expansion of the GATT and the early successes of the multilateral trade regime under the US leadership. Second, when hegemonic leadership weakens, as became evident during the 1970s when the US failed to support elements of the international monetary and trade regimes, the capacity of the system to sustain cooperative outcomes diminishes (Peet, 1992). The resulting decline in confidence in multilateralism has led to the growth of PTAs, as countries pursue different strategies to gain market access and protect their place in the trading system. Thus, HST offers a theoretical connection between the decline of hegemonic power, the stalling of the WTO, and the international system's shift towards regionalism and preferentialism, and, by extension, the rise of economic populism and trade protectionism that have influenced IPE debates in recent years (Poletti & Zambernardi, 2022).

### 2.2.2 Liberal Institutionalism

Liberal institutionalists argue that international institutions play an important role in order to address both the anarchic nature of the international system and the market failures that result from it. Economic liberalisation and global interdependence have increased the need for mechanisms to handle transnational challenges that are beyond the regulatory capabilities of individual states. As cross-border trade, capital flows, and production networks grew, states depended more on international frameworks to coordinate policies, lower transaction costs, and guarantee predictability in economic relations. As a result, a system of global governance emerged, comprising an increasing number of international organisations designed to deal with issues related to market flaws and collective action. According to Keohane (1989), these international organisations may be conceived as a persistent and connected set of formal and informal rules that establish behavioural rules, limit activities, and shape expectations. Liberalism challenges the realist argument that states are expected to crash due to their desire for influence and dominance. Instead, liberalism perceives high prospects for sustained cooperation through the formation of like-minded groups and their binding through national and international institutions (Weiss & Wilkinson, 2018).

According to Kindleberger (1973), the economic difficulties of the 1930s resulted from the absence of a global hegemon strong enough to maintain the international system running efficiently throughout that time. After WWII, however, the US recognised that it possessed both the material capabilities and the strategic incentives to assume the role of the global hegemon. Consequently, the US created a network of international institutions in order to ensure economic stability and supply other public goods to the international system (Weiss & Wilkinson, 2018).

Ikenberry (2001) connects realist and liberal explanations of post-war institution-building. More specifically, he explains that state power and liberal international institutions are equally important, even though institutions are not easily subject to change once they are established (Ikenberry, 2001). Because of this, a global hegemon can use the regulations of such institutions to ensure that it does not make abusive use of its power, as well as maintain its influence in case its power diminishes. In addition, the more liberal values are infused into these institutions, the more they will protect the rule of law and other global values, making them an attractive point for other states and organisations to join. This will also ensure that they can stand the test of time and global scale changes, a fact that can still be observed with the post-WWII liberal world order (Weiss & Wilkinson, 2018).

A core divergence between liberal institutionalism and realism lies in the question of whether global cooperation is contingent upon the presence of a hegemon. Although realists contend that hegemonic power is essential to enforce rules and guarantee compliance, liberal institutionalists argue that once international institutions are formed, they can continue to exist and function independently of hegemonic supremacy. According to Keohane (1984), institutions, once established, produce their own incentives and procedures that enable collaboration even when there is no dominant power. These mechanisms include the reduction of transaction costs, provision of information, and enforcement through reputational implications, which assist nations in coordinating and monitoring behaviour without the need for centralised authority. Moreover, Ruggie (1982) emphasises the importance of shared values and intersubjective understandings among states, contending that institutions' legitimacy is preserved when they represent widely acknowledged norms and principles. In this sense, liberal institutionalism envisions a more decentralised form of order, where institutions enable cooperation through rules-based governance rather than coercive hierarchy.

Keohane (1984) offers the most powerful theoretical explanation for the role of institutions in the international system, specifically under conditions of weakening hegemonic power. Significantly, he argues that the strength of institutions depends less on continued dominance and more on their effectiveness in lowering transaction costs and enabling cooperation. In this way, Keohane (1984) changes the focus from purely power-based explanations towards a functionalist understanding of how cooperation might persist in an anarchic international system. Crucially, he argues that even in the absence of a hegemon, institutions can survive because they still serve state interests by tackling common problems in international politics, specifically issues related to coordination and enforcement (Keohane, 1984).

More importantly, Keohane (1984) directly challenges the realist assumption that states cannot achieve meaningful cooperation without some form of coercion or dominance. Instead, he points out that institutions actually assist states in achieving mutual gains, even if their individual interests are not completely aligned. This is particularly relevant in the post-war period, where the US used its hegemonic position to create a set of institutional frameworks that would uphold liberal norms and offer stability beyond its peak of power. Once established, these institutions shape state behaviour and expectations through path dependency and legal-rational authority. Therefore, rather than viewing institutions as mere reflections of power, Keohane provides a more enduring and rules-based explanation of global governance that explains the persistence of the liberal order well beyond the period of unchallenged US hegemony (Keohane, 1984).

Liberal institutionalism asserts that emphasis should be placed on global governance and IOs as a way of explaining IR. Importantly, it places particular emphasis on the role that shared goals play in the international system and the ability of IOs in encouraging states to work together (Keohane, 1984). Liberal institutionalism emphasises the role of international institutions in mitigating the effects of anarchy and facilitating cooperation among states. Keohane (1984) argues that institutions help states pursue long-term interests by reducing transaction costs, providing information, and enhancing the predictability of state behaviour. Despite the fact that Keohane acknowledges the realist premise that the international system lacks a central authority, he argues that the lack of hierarchy does not prevent the development of cooperation. States may engage in mutually beneficial arrangements by using institutionalised frameworks that influence expectations and limit self-serving behaviour, rather than relying mainly on coercive power. Institutions, according to Keohane, can thus perform critical functions such as monitoring compliance, enabling issue linkage, and arranging repeated interactions, which create strong incentives for cooperative outcomes even when there is no global hegemon (Keohane, 1984).

Using this foundation as a basis, Krasner (1983) offers a more thorough explanation of how international regimes operate. He defines regimes as "sets of implicit or explicit principles, norms, rules, and decision-making procedures around which actors' expectations converge" (Krasner, 1983, p. 2). According to Krasner, regimes reflect and stabilise underlying power structures, and even though they are rooted in power relations, they can still limit how states behave by creating a common understanding of what is acceptable behaviour. Regimes play a vital role in shaping international order by setting clear expectations and reducing uncertainty in international transactions. While regimes are not immune to manipulation by powerful states, they are not mere epiphenomena either, and they influence outcomes by shaping the strategic environment in which states interact (Krasner, 1983).

Ruggie (1982) deepens this perspective by introducing the concept of "embedded liberalism" to characterise the post-war international economic order. According to Ruggie, the Bretton Woods system exemplified a compromise between the liberal commitment to open markets and the need for national governments to maintain domestic economic stability. This compromise was institutionalised through organisations such as the IMF, WB, and GATT, which allowed for multilateral cooperation while preserving national policy space. Ruggie emphasises the ideational and normative foundations of these institutions, arguing that shared beliefs about economic governance played a central role in their durability. Importantly, Ruggie's analysis emphasises the role of legitimacy, identity, and collective purpose in sustaining international cooperation. His analysis shows that liberal institutionalism is not only concerned with technical arrangements but also with the social and political foundations of institutional continuity (Ruggie, 1982).

Snidal (1985) engages with one of the key issues posed to liberal institutionalism by realist scholars, which is the problem of relative gains. More specifically, realists argue that even in situations where cooperation is feasible, states may choose not to do so if others stand to earn more, thereby shifting the balance of power. Snidal contests this logic by arguing that under many conditions, states are primarily motivated by absolute gains, especially in economic interactions. He also contends that institutions can be deliberately designed to manage distributional concerns, for instance, through side payments, issue linkage, or differential obligations. By providing mechanisms for reciprocity and enforcement, institutions can alleviate fears about exploitation and reduce incentives for defection. Snidal's contribution strengthens the liberal institutionalist argument that cooperation is both feasible and sustainable in anarchic systems, as long as institutional structures are properly calibrated to address the strategic dilemmas that states face (Snidal, 1985).

Nowadays, international politics is more international or even global, international institutions exist in every functional area and in every region of the world, and explaining international politics involves the role played by international institutions (Saull, 2010). Significantly, liberal institutionalism rests on micro-economic foundations and a state-centric, rationalist approach to behaviour. Liberal institutionalism and HST share some assumptions, which include the focus on regimes, the unitary/rational actor model and the public good analogy (Norkevicius, 2014).

The analytical strength of liberal institutionalism is said to lie in its capacity to explain why states continue to cooperate even in the absence of hegemonic enforcement. According to Keohane, institutions can "alter the context within which states make decisions, not by changing their basic interests but by changing the costs and benefits of different strategies" (Keohane, 1984, p. 14). Institutions are seen not as autonomous actors but as frameworks within which state preferences are coordinated and realised. This understanding is reinforced by Simmons & Martin (2002), who argue that institutions can enhance the reputational costs of defection and facilitate norm internalisation over time. Unlike functionalist interpretations, liberal institutionalists take a more instrumental view of institutions, highlighting their importance in strategic negotiations instead of viewing them as agents of deeper political transformation (Simmons & Martin, 2002).

Institutions do not fundamentally transform the interests or identities of states but operate on the assumption that states enter cooperative arrangements to pursue predefined objectives. In this sense, liberal institutionalism remains different from constructivist and functionalist perspectives, which assign a more foundational role to institutions. In fact, scholars such as Norkevicius (2014) have noted that liberal institutionalism assigns a lower capacity for transformation to international institutions in comparison to functionalist or neo-functionalist perspectives, which assume a spillover effect that gradually erodes state sovereignty. Liberal institutionalists emphasise the importance of designing regimes, creating incentive structures, and delivering collective goods via rational negotiation, frequently drawing analogies with classical trade theory and public goods dilemmas (Norkevicius, 2014).

Liberal institutionalism agrees with realism that states act on their own interests in order to increase their own interests, and that the international system is anarchic, with the states being the major actors, both of these theories being system-level. Significantly, system-level theories argue that the characteristics of the international system lead nations to behave in particular ways, based upon how much power they hold. Although liberal institutionalism agrees with realism, liberal institutionalism expresses a greater degree of optimism regarding the potential for cooperation. The primary source of this optimism stems from the way liberal institutionalists view anarchy and interdependence. Realists perceive anarchy as a condition that inevitably results in scepticism and hostility; whereas liberal institutionalists argue that repeated interaction between states can foster expectations of mutual benefit, thereby reducing the fear of defection and allowing for the establishment of cooperative arrangements (Keohane, 1984). Through institutions, states can exchange information, monitor compliance, and reduce transaction costs, which in turn makes cooperation not only feasible but also reasonable. Moreover, liberal institutionalists argue that in an interdependent world, states recognise the shared advantages of coordination and are therefore prepared to participate in institutionalised cooperation to achieve absolute gains (Keohane, 1993). It is this emphasis on institutional design and mutual interest that underpins liberal institutionalism's more optimistic view of international cooperation under anarchy. According to liberal institutionalism, cooperation between states is possible when mutual interests exist due to the fact that the main interests of states are not only power but also well-being (Keohane, 1984). Most importantly, the main goal of the states is not only to achieve relative gains, but also to maximise individual gain (absolute gains) (Keohane, 1993).

This difference between relative and absolute gains is fundamental to the theoretical divergence between realism and liberal institutionalism. Realists argue that even when cooperation offers benefits to all, nations continue to worry about how those advantages will be shared. The main concern is that if a competitor gains more, it may result in a change in the balance of power (Grieco, 1988). In contrast, liberal institutionalists argue that in situations of complex interdependence, states focus on achieving absolute gains over their performance compared to other states. Institutions are essential in this shift by establishing environments where transparency, repeated interactions, and rule-based structures minimise uncertainty. In this context, states determine that they stand to gain more from collaborating than from acting unilaterally, as the long-term advantages of economic or political partnerships surpass the risks linked to immediate relative drawbacks (Keohane, 1984).

Significantly, the main barrier to cooperation in IR is the risk of non-compliance by states. Liberal institutionalists argue that domestic and international institutions are critical for promoting cooperation and peace among countries. This stems primarily from the fact that institutions help alleviate the restrictions created by an anarchic international system. By providing information, reducing uncertainty, and increasing transparency, institutions effectively lower the possibility of misperception and defection. Moreover, institutions create structured environments where established rules and norms can guide state behaviour, making cooperative strategies more viable in the long run and reducing the incentive for states to cheat (Axelrod & Keohane, 1985). Additionally, liberal institutionalists put emphasis on the use of multilateralism and cooperation as a means for gaining interests and benefits for states, focusing on the contribution of IOs in fostering collective security and managing conflict. Despite the fact that liberal institutionalism recognises the central role of the US in the post-war liberal economic order, it puts more emphasis on the role played by institutional and non-material factors such as norms and ideas (Saull, 2010). Most importantly, international institutions help states to overcome collective action problems, reduce uncertainty, monitor partners' compliance, reduce transaction costs, and provide opportunities to negotiate. Consequently, negotiations and bargaining are facilitated, leading to mutually beneficial agreements among states (Keohane 1984; 1989; 1993). As Keohane (1984) argues, institutions help to establish stable patterns of behaviour by reducing transaction costs and creating expectations that those patterns will persist.

Institutionalist approaches explain PTA formation as a response to structural constraints in the multilateral system. When global negotiations at the WTO face deadlock, states focus on preferential arrangements to maintain progress in trade liberalisation. In this context, PTAs act as both complements and substitutes to multilateralism, providing platforms for rulemaking and collaboration. Importantly, this approach helps to increase bargaining leverage, since being part of smaller coalitions can strengthen a country's negotiating approach in larger, multilateral settings (Mansfield & Reinhardt, 2003).

At the same time, liberal institutionalism acknowledges that PTAs are not neutral arenas. Their design frequently reflects asymmetries of power, with dominant states shaping scope, depth and enforcement mechanisms in ways that strengthen their interests. Consequently, institutions can promote cooperation and entrench hierarchy, revealing the role of PTA governance as tools of order and means for gaining strategic leverage (Capling, 2008).

### 2.2.3 Conclusion

The analysis of system-level theories highlights the strategic and economic factors shaping the formation of PTAs. Realism draws attention to the significance of power asymmetries and strategic competition, especially in contexts where states try to maximise relative gains and guard against vulnerability. In contrast, liberal institutionalism underscores the importance of regimes, norms, and institutionalised mechanisms that facilitate cooperation despite anarchy. Both approaches acknowledge the self-interested nature of states but diverge on the extent to which cooperative arrangements can mitigate conflict and foster stability.

From the perspective of trade, realism and liberal institutionalism provide contrasting but complementary insights into the direction of multilateralism and PTA developments. Realism stresses the competitive logic of state behaviour in the international system, suggesting that trade is not simply an economic activity but also a tool of strategic rivalry. Gilpin (1981) argued that states are mainly focused on relative gains, and even when multilateral liberalisation presents opportunities for efficiency enhancements, leading powers will be cautious about the benefits that may disproportionally benefit their rivals. This helps to explain why periods of hegemonic strength, such as the early post-war decades under the US leadership, facilitated trade liberalisation through the GATT, whereas subsequent relative decline led to increasing caution and fragmentation. As the US dominance declined during the 1970s and 1980s, Washington became increasingly reluctant to underwrite the costs of maintaining a completely open multilateral regime, focusing towards bilateral and regional arrangements such as NAFTA (Mansfield & Milner, 2012). In a similar vein, other major powers attempted to protect their positions through PTAs, reinforcing realist expectations that trade policy reflects strategic interests as much as economic effectiveness.

Realism further suggests that PTAs can serve as instruments of exclusion and hierarchy. Gowa and Mansfield (1993) emphasised that trade integration among alliances not only strengthens security links but also restricts the ability of rivals to translate any economic growth into increased military power. From this perspective, the shift towards PTAs in the 1990s and 2000s can be interpreted as one component of a larger competitive dynamic in which states tried to consolidate influence and secure asymmetric advantages. Realism interprets the stalling of multilateralism as an unavoidable result from a combination of factors, including the erosion of the hegemon's power, the persistence of security competition, and the prioritisation of relative gains over collective efficiency.

On the other hand, liberal institutionalist approaches offer a more optimistic interpretation of trade policy and governance, arguing that international regimes reduce transaction costs, provide information, and create mechanisms for dispute settlement that make cooperation more likely even under conditions of anarchy (Keohane, 1984). From this perspective, the success of the GATT in the post-war period is not attributable only to the US hegemony, but also to the institutional structure that allowed states to cooperate and monitor compliance. Liberal institutionalists highlight that multilateral trade regimes provided transparency and reciprocity that stabilised expectations and generated absolute gains for all participants (Goldstein, Rivers & Tomz, 2007).

Liberal institutionalism is also helpful in explaining the turn towards PTAs. More specifically, rather than viewing them solely as tools of exclusion or competition, PTAs can be understood as institutional innovations designed to sustain liberalisation when multilateral forums reach stalemate. According to Mansfield and Reinhardt (2003), when the WTO is unable to function effectively, governments turn to PTAs as an alternative strategy to maintain liberalisation, ensuring exporters remain in favour of open trade. In this sense, the proliferation of PTAs since the 1990s and 2000s can be viewed as an effort to adapt institutional structures to emerging challenges, preserving elements of cooperation despite the slowdown of multilateralism.

Liberal institutionalism recognises the limits of cooperation. Specifically, the stalling of the Doha Round from the early 2000s onwards illustrates the difficulties of sustaining multilateral liberalisation when the distribution of preferences among states becomes too diverse (Hopewell, 2016). Importantly, liberal institutionalism suggests that the success of the WTO in expanding its membership to include emerging economies created a more complex bargaining environment that exceeded the institutional design capacities of the regime. PTAs thus appear to function both as alternatives and as enhancements, enabling a smaller group of states to achieve deeper integration in sectors where multilateral agreement has been difficult to achieve (Dur & Elsig, 2015).

Importantly, the implications of these theories for the period under study are clear. From a realist viewpoint, one would expect that as the US hegemony faced a relative decline, the motivation to maintain multilateralism would decrease, leading to a fragmented system where PTAs became instruments for gaining a competitive advantage. On the other hand, liberal institutionalism would argue that the institutional foundations of trade cooperation did not collapse but transformed, with PTAs representing pragmatic adaptations to gridlock. The differences between these interpretations underscore the importance of utilising both perspectives, where realism emphasises the role of power asymmetries and rivalry, and liberal institutionalism highlights the ability of institutions to promote cooperation even in challenging circumstances. Together, these perspectives provide a system-level theoretical basis for understanding both the stagnation of multilateral liberalisation and the simultaneous rise in PTAs.

Importantly, the analysis has illustrated that neither theoretical approach alone offers a fully comprehensive account. While system-level theories are useful for explaining why states choose to pursue PTAs in a globally uncertain and competitive environment, they cannot fully explain the variation in content, ambition, and design across these agreements. This underlines the necessity to go beyond systemic factors and examine how domestic political considerations, institutional capacity, and sectoral preferences influence the objectives and strategies of states. As Poletti and Zambernardi (2022) argue, an integrated structural theory of hegemonic transition and stability with an analysis of the domestic sources of trade policy preferences is necessary. The next section, therefore, draws on the IPE literature exploring how domestic ideas, institutional frameworks, and sectoral interests influenced the trade policies and negotiation approaches of the US and the EU. It should be noted that the purpose of the following section is to reveal how systemic factors interact with domestic political processes to achieve specific trade policy results, not to highlight the importance of domestic politics.

In this thesis, system-level analysis is not understood simply as the international environment, but as a broader framework capturing the key structural and contextual conditions within which trade policymaking takes place. More precisely, this includes, first, the distribution of power and patterns of interdependence among states, as highlighted by both realist and liberal institutionalist approaches. Second, it refers to systemic shocks that can disrupt existing policy trajectories, such as the global financial crisis of 2008 or changes in the US trade policy during the Trump administration, both of which contributed to the slowdown of multilateral trade cooperation. Third, system-level analysis includes longer-term structural developments such as the rapid rise of China, the proliferation of PTAs, and the increasing importance of digital trade and new technologies. Furthermore, it reflects changes in the global trade governance, particularly the challenges facing the WTO and the growing fragmentation of the multilateral system. Finally, it includes broader processes of geopolitical change and issue-linkage, where trade policy becomes increasingly connected to concerns over economic security, supply chains, environmental standards, and strategic competition. Importantly, these elements show that system-level analysis captures both stable structures and evolving external pressures that affect how states design and pursue trade policy.

## 2.3 Unit-Level Theories

The domestic level analysis of IPE examines the interplay between actors during the decision-making processes within the context of domestic politics. It is worth noting that studies following this approach suggest that the divergence between economists' views of free trade and protectionist policies is mainly resulting from domestic processes (Baccini & Dur, 2012). In contrast to systemic IPE theories that suggest that external conditions influence states' preferences, the domestic analysis explains that fluctuations in domestic conditions and pressures influence foreign economic policy and governmental preferences. Unit-level theories reflect the interplay between domestic and international factors that influence the formulation, negotiation, and implementation of trade agreements (Schirm, 2020).

It is worth noting that the critique of American/mainstream IPE by scholars such as Cohen (2007) and Oatley (2011B) is that it has abandoned systemic explanations in favour of unit-level theories, hence the popularity of Open Economy Politics (OEP). The growth of OEP has become the dominant approach to IPE in the US, sidelining the systemic focus that characterised HST and its related theoretical frameworks. As Cohen (2007) explains, this shift was primarily driven by a desire for a more scientific and empirically rigorous approach to IPE, focusing on domestic-level explanations that can be more precisely tested. This came at the cost of ignoring the broader systemic background that had been addressed by earlier approaches, such as HST.

The limitations of system-level theories in explaining the trajectory of trade politics starting in the 1990s clarify the reasons scholars increasingly turned to unit-level approaches. HST, while illuminating in its emphasis on the role of the US in underwriting the post-war multilateral order, struggles to explain why trade liberalisation accelerated in the 1990s precisely as the US's relative power was in decline (Lake, 2009). Liberal institutionalist arguments about the enabling role of regimes and international organisations cannot satisfactorily explain why multilateralism stalled during the 2000s, despite the institutional strength of the WTO and the proliferation of dispute settlement and monitoring mechanisms (Hopewell, 2016).

This gap in the existing literature prompted a shift towards domestic-level analysis, which provided more accurate and empirically grounded explanations for trade policy outcomes. OPE gained prominence in this context because it provided a micro-foundational method that links individual and sectoral preferences to governmental policy choices. According to OEP, trade policy reflects the aggregation of societal interests, mainly firms, industries, and factors of production and the institutional arrangements through which these interests are processed (Lake, 2009). This perspective provided an attractive alternative to system-level explanations, precisely because it allowed scholars to explain why states pursued liberalisation at particular moments and resisted it at others, independent of hegemonic capacity or institutional supply.

For instance, the wave of trade liberalisation in the 1990s is better explained through domestic-level considerations than through systemic theories. Many governments embraced liberalisation not simply because of the US leadership or multilateral institutional design, but because export-oriented firms and coalitions of internationally competitive sectors exerted pressure in favour of opening markets (Ehrlich, 2007). At the same time, structural reforms in many developing countries created new domestic constituencies supportive of liberalisation, aligning domestic political incentives with global trends (Hiscox, 2001). OEP thus explains why liberalisation persisted despite systemic conditions that, according to HST, should have produced retrenchment.

Similarly, the stalling of multilateralism witnessed in the 2000s can be illuminated by taking a unit-level analysis. The collapse of the Doha Round, for instance, was a result not only of systemic power shifts with the rise of China, India and Brazil, but also significant domestic political constraints found within both the developed and developing nations involved. In the US, agricultural lobbies and labour unions actively pressured policymakers to refrain from making compromises. Meanwhile, in countries like India and Brazil, farmers and domestic industry groups mobilised because they feared that liberalisation would jeopardise their economic survival (Hopewell, 2016). These patterns demonstrate the explanatory strength of unit-level theories. They reveal precisely how domestic veto players and sectoral interests can restrict a government's ability to reach multilateral compromises, even when the systemic and institutional factors would otherwise favour cooperation.

The shift to OEP also reflected broader IPE epistemological trends. More significantly, Cohen (2008) and Oatley (2011B) have criticised the dominance of OEP for narrowing the scope of inquiry to micro-level dynamics at the expense of systemic considerations. Nevertheless, the approach is popular because of its ability to generate testable hypotheses and its strong methodological fit with the empirical rigour. By tracing trade policy outcomes back to the preferences of domestic actors, OEP offered a more detailed explanation of the reasons states followed specific strategies and approaches in trade negotiations. This made it particularly attractive at a time when systemic theories seemed incapable of explaining observed empirical divergences.

At the same time, the rise of OEP did not mean scholars completely abandoned systemic or domestic-level analysis. Instead, it highlighted the necessity of using multi-level approaches that combine both domestic and systemic factors. Mansfield and Milner (2012) focus on the way that domestic political institutions influence a government's decision to pursue PTAs, while also recognising that these decisions are situated within a wider, systemic context of global competition and cooperation. Similarly, Poletti and Zambernardi (2022) suggest that a combination of structural theories of hegemonic transition with unit-level explanations of domestic choice formation is the only way for scholars to fully explain the factors influencing contemporary trade politics.

Notably, the utility of unit-level theories lies not only in their ability to explain discrepancies unresolved by HST and liberal institutionalism, but also in their capacity to reconnect trade policy analysis with domestic political processes. The empirical inconsistencies of the 1990s and 2000s demonstrated that trade liberalisation and multilateral cooperation cannot be understood entirely through hegemonic power or institutional design. Instead, they require attention to how domestic actors, interests, and institutions interact with systemic pressures to produce specific outcomes.

For decades now, political science theories that focus on unit-level factors have been essential to mainstream IPE for explaining the governments' foreign economic policy preferences and strategies. For example, this area has produced seminal, widely cited key studies covering a variety of topics including the domestic factors that drive foreign economic policy (Katzenstein, 1976; 1977; 1978; 1996), the relationship between internationalisation and domestic politics (Frieden & Rogowski, 1996; Keohane & Milner, 1996), the influence of ideas on foreign policy (Goldstein & Keohane, 1993), the role of interests, institutions, and information (Milner, 1997), the liberal theory of international politics (Moravcsik, 1997), and the domestic institutional sources for multilateral preferences (Fioretos, 2001). Unit-level theories have captured three dimensions of domestic factors that influence the formation of government preferences, including interest groups, ideas, and institutions (Schirm, 2020).

It should be mentioned that, deriving directly from the domestic factors approach, OEP emerged as an IPE paradigm in the late 1990s. Before the emergence of OEP, several domestic theories of trade policy formation provided the theoretical framework for understanding the interplay between domestic politics and international trade. These theories primarily revolved around how domestic political factors influence a country's trade policies. More specifically, OEP adopts the assumptions of international trade theory and neoclassical economics. However, OEP provides a bridge between economics and political science by explicitly integrating political factors into its analysis. Further to this, it views institutions as the main explanatory factor, operating at both the domestic and international levels. Specifically, OEP begin its analysis with individuals, economic sectors, or factors of production as its core units. The economic interests of these units are then directly derived from their unique position within the global economy. It views domestic political institutions as systems designed to aggregate societal interests and structure the bargaining among competing groups. Finally, it incorporates bargaining between states with divergent interests as necessary (Lake, 2009).

The foundational element of OEP is interest, or how an individual or group is impacted by a specific policy. Political scientists and economists are closely examining and analysing the way domestic institutions aggregate interests. Importantly, OEP makes extensive use of the literature on comparative political institutions, which is largely unconnected to economic policy. When domestic interests are combined through institutions to form a national policy, states then bargain, when necessary, to influence one another's behaviour. In turn, international organisations influence the manner in which the negotiation occurs and the results that are obtained (Lake, 2009).

Unit-level theories emphasise how domestic factors such as political institutions, interest group pressures, economic structures, and public opinion shape state preferences and foreign policy choices. Unlike system-level theories, unit-level approaches focus on the internal sources of state behaviour. A key assumption is that the state is not a single actor but a complex collection of conflicting domestic interests. While such approaches have long existed in IPE, the rise of OEP has intensified this orientation. More significantly, OEP builds on unit-level theories by employing formal modelling and empirical testing to map how domestic preferences are synthesised and incorporated into policy, thereby moving IPE further away from systemic explanations (Oatley, 2011B). From this perspective, the establishment of PTAs cannot be fully comprehended without taking into account the political environment in which they were established. Political science has provided additional explanations regarding the reasons countries enter PTAs, putting particular emphasis on the role of political integration and domestic politics, including interests, institutions, and the influence of ideas.

### 2.3.1 Interests

While interests play a key role in shaping policy preferences, the influence of institutions must not be overlooked. Institutions function as gatekeepers to policymakers, and they determine the degree to which various interests are actually converted into tangible policy outcomes. While interests contribute to the array of preferences, institutions mediate these preferences by framing the policy discussion, moderating the most extreme positions, and ultimately aligning diverse interests with wider policy objectives (March & Olsen, 1983).

Interest-based approaches form a central pillar of IPE scholarship, focusing on how the material interests of key actors, whether individuals, organised groups, or state officials, affect economic policy outcomes. These approaches use the state as the unit of analysis, but locate explanatory power in societal actors, especially producer groups, whose evolving interests can destabilise existing coalitions and foster support for new policy directions. While much of the literature concentrates on societal actors, an alternative strand places the state itself at the centre of analysis. This perspective emphasises the role of decision-makers within the executive, such as politicians and bureaucrats, who may act independently of societal pressures. This is reflected in Ikenberry, Lake, and Mastanduno's (1988) observation that the state can be viewed as comprising political and administrative elites who shape policy through institutional agendas, rather than simply processing the preferences of societal actors. Within this framework, the central decision-makers often pursue goals that they believe align with the national interest. Importantly, these goals may not always match the demands of being made by specific societal groups (Krasner, 1978).

According to realism, material interests and strategic considerations are the main drivers of economic and trade agreements. In light of this, PTAs function as tools of economic statecraft, allowing states to secure relative gains within a highly competitive international system. Realism also highlights the link between a nation's trade policy and its overall security strategies, with PTAs being not only economic arrangements but also political instruments used to consolidate influence and project power. Unlike liberal theories that privilege the idea of mutual gains, realism emphasises the importance of payoff structures, explaining that what is advantageous for one state may result in a relative disadvantage for another. Thus, the interest-based logic situates trade governance within the broader sphere of competition and security maximisation. This relational dimension reinforces the logic of relative gains, where states prioritise agreements that improve their position vis-à-vis competitors rather than simply generating absolute benefits (Gilpin, 2001). It should be noted that trade liberalisation is not viewed as a neutral process but as a mechanism that can alter the distribution of capabilities. Increased interdependence, while potentially efficiency-enhancing, may also augment a state's military and technological resources, thereby triggering counterbalancing behaviour among rivals (Gowa & Mansfield, 1993).

Interests in the literature of IPE focus on the material gains and losses of actors. According to Balkir, Bolukbasi and Ertugal (2013), the definitions of domestic interest coalitions include functional interests, class-based coalitions, factor-based coalitions, sectoral interests, workers, political parties, policymakers, and various interests within bureaucracies. Private actors have a higher chance of supporting a region-based negotiation approach in PTAs. More specifically, an RTA offers greater market access than a bilateral PTA. The export industries can benefit from regional trade blocs by achieving large economies of scale and global supply chains (Chase, 2003). Further to this, an RTA creates barriers for non-participating members, providing stronger motivations for export industries within the trade bloc to capitalise on expanded market access (Chase, 2004).

### Domestic Interests Formation and Political Contestation

Simultaneously, the interests and the main objectives of the governments play an important role in the formation of PTAs. It should be noted that the state's concern for economic welfare makes it receptive to the lobbying efforts of businesses whose investment decisions obviously drive growth and trade (Baldwin, 1989). In a similar vein, Lindblom (1977) argues that firms possess structural power in capitalist economies due to their critical role in investment and employment generation. Governments are dependent on economic performance for political legitimacy and stability. Therefore, they are forced to consider the preferences of business actors, not just due to lobbying, but because these actors have the capacity to withhold investment or influence economic confidence. As such, both Baldwin (1989) and Lindblom (1977) highlight that business interests shape state behaviour through a combination of instrumental and structural channels of influence. Significantly, Lindblom (1977) stresses that this structural power creates an asymmetry between business and other societal actors, as the state's reliance on capital accumulation renders policy choices inherently biased towards business interests (Lindblom, 1977).

Interest groups and, more broadly, civil society pressure their governments for preferred trade policies. It should be noted that business interests in advanced industrialised economies have long been the strongest proponents of trade liberalisation and FTAs (Baccini, 2019). Kim and Osgood (2019) challenge the belief that firms in the same industry share similar trade preferences. Significantly, more productive and competitive firms in both export and import industries support trade liberalisation, whereas less competitive and productive firms oppose trade liberalisation. Essentially, the pro- and anti-trade coalitions cut across industries (Baccini, Pinto & Weymouth, 2017).

Non-business interests, such as workers and other societal groups, are the remaining major actors influencing trade policy. While agricultural producers, including farmers, are business actors, they are frequently treated as distinct from industrial capital because their preferences and methods of political organisation often vary significantly. Kim and Osgood (2019) predict that workers closely align with the trade policy positions of their industries and firms. Hiscox (2002) argues that organised labour's position on trade is mainly dependent on factor mobility. More specifically, when factor mobility is low, labour is internally divided on trade issues. When factor mobility is high, labour is more unified in their support or opposition to free trade (Hiscox, 2002).

Hiscox (2002) points out that factor mobility also shapes business interests. More specifically, under conditions of high factor mobility, business actors tend to adopt preferences based on their factor endowments rather than sectoral affiliation, aligning their trade positions with owners of similar factors across industries. On the other hand, when factor mobility is low, business interests remain sector-specific, with firms in import-competing industries favouring protection and those in export-oriented sectors supporting liberalisation. Crucially, this distinction reflects the broader logic of the factor model, where trade coalitions shift between industry-based and factor-based alignments depending on the degree of mobility in the economy (Hiscox, 2002).

It should be noted that trade policy formulation is determined through processes embedded in the political environment, with governments sometimes facing incentives that are different from basic welfare maximisation, and special interest groups play a vital role in determining trade policy. Interest groups exert pressure to affect government decisions, leading governments to exchange the welfare consequences of their trade policies for the political support of powerful special interests. Under these circumstances, the decision to sign a PTA may be motivated by organised lobby interests, instead of the broader public benefits (Grossman & Helpman, 1995).

The literature suggests that protectionists more easily overcome the collective action problem than free-traders, and then protectionists pressure policymakers to implement trade barriers.

While this is a convincing answer for the reasons tariffs arise in the first place, it provides less clear explanations for why tariff rates vary across countries, as it assumes a constant protectionist advantage. This is because the endogenous tariff literature largely ignores institutions that define the strategic environment where interest groups function (Ehrlich, 2007).

### Interests and the Political Economy of PTA Formation

Chase (2003) argues that the benefits of cross-border production sharing and economies of scale are of paramount importance for multinational corporations due to the creation of incentives for seeking regional trade liberalisation. Chase (2003) further explains that sectors defined by these features showed an increased probability to lobby for FTAs in North America, being exposed to free trade faster under the tariff-phasing schedule of NAFTA. In addition, Chase (2008) points out that the domestic groups most favourable to FTAs differ in their preferences over rules of origin, with rules of origin being of vital importance for building domestic coalitions for FTAs. To be more specific, industries with large returns to scale favour strict rules of origin to gain economies of scale, while industries with multinational supply chains prefer lenient rules of origin to accommodate offshore procurement (Chase, 2008).

NAFTA contributed to the improvement of the competitive advantage of many US firms, making it easier to take advantage of economies of scale, extending regional supply chains and promoting multilateral liberalisation. Importantly, supporters of NAFTA favoured liberalisation in the GATT, while opponents of NAFTA fought the Uruguay Round (Chase, 2005). Nevertheless, the process of corporate restructuring driven by the need to rescale production capacity for the regional market and to expand offshore assembly operations caused US workers to face significant adjustment costs, which resulted in the creation of divisions between labour unions and their employers (Chase, 2003).

In the last three decades, Mexico has had a growing commitment to trade liberalisation, with its trade policy being one of the most open in the world, entering into PTAs in order to promote economic growth and reduce its economic dependence on the US. By entering into trade agreements with other countries, Mexico is aiming to achieve economies of scale in certain sectors of the economy and expand its export market. More precisely, states can benefit from trade agreements because producers can reduce their unit costs by producing larger volumes for regional markets in addition to their own domestic markets. Clearly, when more units of a good or a service can be produced on a larger scale, companies are able to decrease the cost of production. Importantly, the permanent lowering of trade barriers and predictable trade rules provided by PTAs attract more investors from abroad because their confidence is improved (Villarreal, 2017). Oatley (2011B) provides an interest-based explanation, arguing that countries enter PTAs as a signal of strong commitment to economic reform, convincing foreign partners that markets will remain open and that policies will be in favour of potential investors. A good example is Mexico's decision to pursue a free trade agreement with the US. More precisely, Mexico started to liberalise its trade policy in the mid-1980s, attracting FDI from the US. The FTA with the US gave Mexico the chance to prove its commitment to market liberalisation to American investors. The same argument applies partly to many Eastern and Central European governments (Oatley, 2011B). According to Baldwin (1995), many countries in Latin America are interested in getting into PTAs and RTAs because of Mexico's entry into NAFTA.

A key point to note is that PTAs result in trade creation, expansion of investments and financial stability. However, they can create trade diversion. As far as trade creation is concerned, PTAs expand bilateral trade by lowering tariff and non-tariff barriers. Significantly, the welfare implications of trade creation between two countries through a bilateral FTA are clear, making the countries better off by opening trade with each other, unless exceeded by trade diversion. It should be noted that trade diversion from bilateral agreements of other countries motivates countries to pursue their own bilateral agreements. Aggarwal and Urata (2006) suggest that it is of paramount importance that the industrial structure of the two countries can fit to further benefit from the agreement. More significantly, South Korea and Japan both benefit from their bilateral FTA due to the fact that their industries are complementary. More specifically, the trade structure of South Korea depends on Japanese parts, intermediate goods, and equipment in many different industries. The tariff rates of South Korea on Japanese products are generally higher than those of Japan on South Korean products. The bilateral FTA gives Japan the chance to seize previously foregone opportunities for export because of South Korea's high tariffs and non-tariff barriers. Despite the fact that South Korea benefits from Japan's reduced non-tariff barriers, the potential benefits associated with implementing additional reductions in Japanese tariffs are limited (Aggarwal & Urata, 2006).

### 2.3.2 Institutions

According to March and Olsen (2008, p. 3), “an institution is a relatively enduring collection of rules and organised practices, embedded in structures of meaning and resources that are relatively invariant in the face of turnover of individuals and relatively resilient to the idiosyncratic preferences and expectations of individuals and changing external circumstances”. Thus, legal jurisdictions or mandates, funding formulas, governmental partnership agreements, and performance measurement or accountability mechanisms are examples of what might be considered institutional factors shaping the local priority setting process (Beland, 2005).

Ehrlich (2007) emphasises the importance of considering the institutional context, suggesting that the efficiency of protectionist influences on policymakers depends on the existing institutional framework. Institutions can either enhance or reduce the influence of interest groups advocating for trade barriers. For instance, a robust institution can counterbalance protectionism, ensuring that trade policies reflect broader economic goals (Ehrlich, 2007). In addition, the institutional environment can influence how effectively interest groups organise and express their preferences. Notably, strong institutions may encourage the establishment of coalitions, promoting a unified position that is more likely to align with broader national economic objectives. On the other hand, unstable institutions can enable protectionist groups to exert significant influence, resulting in policies that do not reflect the overall welfare of a nation (Ehrlich, 2007).

Trade policies play a central role in the IPE literature and significantly influence other policy decisions. A large literature points to institutions regarding the reason that explains differences in trade policies across countries (Kono 2006; Mansfield, Milner & Rosendorff 2000; McGillivray 2004; Milner and Kubota 2005). Governmental preferences are often aligned with established domestic institutional settings due to their ideational legitimacy, which is influenced by past developments. Importantly, institutions represent the codification of previously existing sets of ideas and interests, playing a central role in shaping a country's approach, negotiations, and interactions (Fioretos, 2011). An institution comprises a system for setting rules and the agents responsible for enforcing them, linking and reflecting the interests and ideas of the domestic agents. Due to the fact that the connection is interactive, the role of the institution extends beyond allocating decision-making power; it continually evolves to meet changing societal demands (North, 1989). Institution-oriented approaches locate the primary causal factors behind economic policy or performance in the organisational structures of the political economy. Significantly, the principal unit of analysis is the nation-state, and the principal actors are organisations representing key collectivities in the economy, such as trade unions and other organisations. Some scholars investigate how the differences across democratic regimes influence trade policy formulation (Milner & Kubota, 2005; Allee & Elsig, 2017).

Some studies put emphasis on how institutions impact various PTA categories, with Mansfield, Milner and Pevehouse (2008) suggesting that leaders in democratic regimes have greater motivation to join PTAs, but a greater number of veto players complicates the likelihood of its realisation. More specifically, the number of veto players in a country influences the agreement's transaction costs, and as their number rises, there are fewer possibilities for ratification of the agreement (Mansfield, Milner & Pevehouse, 2007). In addition, the presence of veto players defines what provisions are included in, and excluded from, PTAs, with trade agreements concluded under greater veto player constraints containing fewer liberalisation commitments and weaker dispute settlements (Alle & Elsig, 2017). Other studies examined how differences among democracies, covering veto points, electoral systems, and executive-legislative relations, influence trade policies (Henisz, 2000; Milner & Judkins, 2004; De Bievre & Dur, 2005; Milner & Kubota, 2005; Henisz & Mansfield, 2006; Ehrlich, 2007).

Institutions influence trade policy by channelling and mediating the interests of various actors within a state. More specifically, these actors include governmental bodies, interest groups, businesses, and civil society organisations, providing mechanisms for coordination, decision-making, and resolving disagreements arising from divergent interests. For instance, ministries of trade, regulatory agencies, and advisory groups establish channels for stakeholders to participate in policy debates, ensuring that multiple viewpoints are considered when developing trade strategies. Moreover, institutions set standards and rules that guide trade interactions, outlining the country's commitment to international agreements, compliance with trade principles, and participation in conflict resolution processes. These norms and rules create a structure for negotiating trade agreements and influence the circumstances under which a nation interacts with its trade partners (Mavroidis, 2016).

The demands by exporting firms for the reduction of tariffs through reciprocal trade negotiations, and the concentration of export profits in a small number of businesses, have various consequences for the domestic politics of trade, which affect the connection between domestic institutions and trade. Contentions relating domestic institutions to trade policies are mainly based on two assumptions. First, the potential beneficiaries of free trade, consumers and competitive exporters, constitute a much larger group than those favouring protectionism (Olson, 1965). However, protectionist coalitions tend to mobilise more successfully since they face significant losses due to liberalisation, whereas the benefits from free trade are diffuse and widely distributed. This asymmetry gives protectionist interests a collective action advantage, translating into stronger lobbying capacity relative to pro-liberalisation groups (Olson, 1965; Betz, 2017). Institutions that increase the influence of interest groups over consumers should lead to more protectionist trade policies. Moreover, institutions that create a larger concern for consumers should lead to lower tariff rates. Pressure from exporters for a reduction in domestic tariffs challenges both assumptions, changing the link between domestic institutions and trade policy (Betz, 2017).

It should be noted that institutions shape access to policymakers; hence, interests alone do not determine outcomes, which is an important insight when considering the concept of delegation. The idea of delegation has been used to explain why some states have been able to insulate trade policymaking from protectionist pressures and thereby achieve liberalisation in spite of these pressures. By delegating trade policy decisions to independent or technocratic bodies, such as trade ministries or agencies operating under reduced political supervision, governments can pursue a more liberal trade agenda that prioritises long-term economic efficiency rather than immediate distributive demands. This delegation mechanism minimises the direct impact of protectionist groups and brings policy choices into better alignment with international commitments and free trade principles (Keohane & Milner, 1996; Majone, 2001). Furthermore, delegation is often justified on the grounds of improving the credibility of policies, since independent institutions are less vulnerable to shifts in political power and lobbying pressures, which in turn increases the predictability of trade policy (McCubbins, Noll & Weingast, 1989; Milner, 1997). Such institutional arrangements underscore one of the classic institutionalist explanations of the domestic determinants of trade policy, emphasising the interaction between institutional design and interest group influence.

The early literature on trade policy overlooked the influence of political institutions, relying on the assumption that protectionist interests will lobby more often than free trade interests. This assumption lies at the heart of the endogenous tariff theory literature. According to this, politicians impose tariffs because they help them to maintain power, and not because they contribute to the economy (Magee, Brock & Young, 1989; Grossman & Helpman, 2002).

Institutions are, fundamentally, crucial for the negotiation and execution of trade agreements, operating both as domestic governance structures and as components of the wider international institutional architecture (Keohane and Martin, 1995). For instance, the European Commission and the Office of the USTR are the institutions responsible in the EU and the US, respectively, for leading trade negotiations, developing strategies, and representing national interests. Moreover, institutions ensure that a nation’s domestic regulations and policies adhere to international commitments. Specifically, in the context of geostrategic interactions between the EU and the US, institutions actively shape the alignment and unity of their trade policies. This is achieved, for example, by the European External Action Service (EEAS) within the EU, which helps link foreign policy objectives with trade priorities, and by the US’s National Security Council (NSC), which contributes to the integration of trade considerations into broader strategic agendas (Meunier, 2005).

Importantly, the analysis of institutions at the domestic level also provides a bridge to system-level explanations, particularly liberal institutionalism. While systemic approaches emphasise how international institutions facilitate cooperation among states (Keohane, 1984), domestic institutional arrangements determine how states respond to these external constraints.

Internationally, institutions structure opportunities for cooperation, and domestically, they shape how commitments are explained, negotiated, and implemented. Significantly, this interaction highlights that trade policymaking cannot be understood only through either domestic or systemic factors, but rather through their interdependence. Putnam's (1988) theory of "two-level games" shows how international negotiations are simultaneously constrained by institutions and preferences, demonstrating the need to integrate both levels of analysis in explaining PTA formation and developments.

### 2.3.3 Ideas

The literature has also examined the role of ideas in shaping trade policies and strategies (Baldwin, 1989; Morrison, 2012; Morrison, 2016). Ideas are defined as beliefs held by individuals to explain political outcomes, particularly in relation to foreign policy, and they are considered alongside interests as having causal weight in explanations of human action (Goldstein & Keohane, 1993). According to Goldstein and Keohane (1993), ideas are important because they function as road maps that assist policymakers in defining objectives and determining the best ways to achieve them. Furthermore, they have an impact when they are integrated into political institutions and thus become a formal part of the decision-making structure. This perspective is vital because it shows that ideas do not just complement material interests, but they can independently influence the course of trade policy when they become institutionalised (Goldstein & Keohane, 1993).

While this thesis does not adopt a fully constructivist framework, the emphasis on ideas overlaps with constructivist insights. Constructivism puts emphasis on how ideas define identities, insisting that international politics is individually and socially constructed, based on the social role of the state. More specifically, constructivism places ideas, norms, and identities at the centre of analysis, stressing that they are not only intervening variables but constitutive of actors' interests and the international system itself (Wendt, 1995; Wendt, 1999). It should be noted that the role of ideas in this thesis aligns more closely with a liberal-institutionalist perspective, in which ideas influence policy preferences and institutional developments without fully determining actors' identities. Nevertheless, constructivism is important because it reinforces the argument that trade policy cannot be understood and explained by material interests alone.

A relevant contribution is the concept of normative power, which explains the capacity of actors to influence international order through the diffusion of norms and values rather than material coercion (Manners, 2002). Crucially, this approach suggests that legitimacy in policy derives from adherence to principles embedded in international law and human rights frameworks rather than from power capabilities alone. Post-Cold War transformations created an environment where these viewpoints could thrive, as trade arrangements became increasingly linked with discussions regarding democracy, human rights and sustainable development. Integrating these insights underscores that ideas matter not only from a rhetorical perspective but also as structuring principles of economic cooperation (Manners, 2008).

It should be noted that ideas help to clarify principles and conceptions of causal relationships and to coordinate individual behaviour (Goldstein & Keohane, 1993). More importantly, ideas explain and analyse the reasons protectionist policies succeed despite the consensus among economists about the benefits of free trade (Baldwin, 1989). The literature recognises that ideas play a significant role in shaping public policies, but the extent of their influence generates a great deal of debate due to the difficulty of quantifying the influence and power of ideas (Mehta, 2011). Importantly, the method of comparative case studies provides a useful instrument for capturing the influence of ideas because it offers a counter-paradigm to what would have happened without ideas (Parsons, 2002).

It should be noted that when policies are built upon ideas that are deeply rooted in societal norms and institutional frameworks, they tend to persist within the existing structures (Cox, 2004). This happens because these concepts provide legitimacy and stability, making any alternative approaches appear less credible or politically risky, reflecting what institutionalists refer to as path dependency, where initial ideational decisions generate self-reinforcing mechanisms that limit future choices. For example, liberal trade ideas, once established in global economic governance, continue to influence trade policy discussions despite ongoing crises or the rise of protectionism (Broome, 2014).

According to Goldstein (1993), ideas should be imported into the analysis after interest-based explanations have proved insufficient. More significantly, ideas supply the focal points towards which coordinated action can converge, with Garrett and Weingast (1993) employing this analysis in order to explain how the nations of the European Community converged on a particular kind of integration process. Other scholars argue that governments choose policies and firms choose strategies, being greatly influenced by the ideas about suitable policy or best practice dominant within the relevant professional community (Haas, 1992; Sikkink, 1991). According to Sikkink (1991), the movement from one economic strategy to another is because of the increasing popularity of new ideas within economics and the international agencies that transmit such doctrines transnationally. Goldenstein (1993) explains the US trade policy, emphasising the way in which successive waves of ideas about trade become institutionalised in various parts of the policy mechanism.

Critics of rational choice approaches argue that interest analysis alone cannot explain the evolving preferences and behaviours of actors that are not driven solely by self-interest. It is worth noting that the rational approaches assume that actors are fully aware of their goals and how these goals will advance their interests. Therefore, their ability to explain trade policy changes is limited because they undermine the interaction and shared beliefs that are created among the domestic actors. Ideas and beliefs provide the availability of feasible policy choices (Goldstein, 1993). The interests of domestic actors are influenced by a range of non-material factors such as experience, identities, norms, and beliefs. Further to this, ideas include a wide range of forms, such as collective memories, frames, stories, and myths (Schmidt, 2010). Other scholars classify the various types of ideas, such as worldviews, normative beliefs and causal beliefs (Goldstein & Keohane, 1993; Campbell, 2002).

These ideas can be distinguished from the rationalist approach of viewing interests, "if acquiring a new idea means changing one's conception of self-interest rather than just reordering one's preferences, and if different agents can hold different mental models regardless of the similarities of their structural positions" (Blyth, 2003, p. 697). According to Wendt (1995), social structures exist only in process, implying that historical and social experiences build a framework through which we interpret the world. In this framework, the ideas complement the rationalist approach, explaining the evolution and formation of decisions (Nye, 2007).

### Ideas as policy paradigms

In this thesis, ideas are formed as policy frames, defined as policymakers' "normative or cognitive beliefs that are located in the foreground of policy debates" (Kangas, Niemela & Varjonen 2014, p. 74). The research focusing on policy paradigms highlights the process of policy learning and formation, which shapes government policy development (Blyth 2002; Béland 2009; Schmidt, 2010; Berman, 2013). Ideas arise from the experiences of policymakers and their interactions with other actors (McNamara, 1998).

Hall's (1993) contribution to the study of ideas and policy paradigms highlights how policy change often occurs through a process of social learning rather than only through material or interest adjustments. In his analysis, policy paradigms are viewed not only as technical frameworks but as sets of shared ideas and interpretive schemes that define policy objectives, instruments, and the nature of problems that need to be tackled. Importantly, Hall (1993) presents the concept of "third-order change," in which shifts in paradigms represent deep transformations in the underlying cognitive and normative assumptions that steer policy. This perspective is of vital importance for understanding trade policymaking, as changes in dominant ideas, such as the transition from embedded liberalism to neoliberalism, redefine the boundaries of what is deemed acceptable in terms of policy action. By framing how actors interpret economic crises and policy failures, paradigms shape both the nature and direction of government responses (Hall, 1993).

The literature acknowledges that ideas affect public policies, but their influence in shaping them remains questionable due to the difficulty in quantifying their influence (Mehta, 2011). More significantly, when politicians and governments face complicated and uncertain situations with many possible outcomes, their ideas are of paramount importance for deciding what direction to follow and what the outcome will be (Beland, 2010).

If the perceptions of actors entirely change, then new ideas can replace old ideas. Many studies put emphasis on the role of ideas in path-creating in order to show that interests can change (Goldstein, 1993; Blyth, 2002; Morrison, 2016). Here, the idea diffusion processes address not only the timing and salience of specific ideas, but also which ideas have enough influence to completely replace the established policy framework (Acharya, 2004). Importantly, when policymakers suggest a new policy framework, it usually results in a conflict of ideas, in which values compete with established norms and perceptions of interests of various groups (Finnemore & Sikkink, 1998). Ultimately, the success of any new idea in shifting policy depends on having enough political relevance and support (McNamara, 1998). The transition from one paradigm to another is likely to be preceded by substantial changes in the source of trade policymaking control. Importantly, once ideas pass through the debate stage, they become societal norms, and they "acquire a taken-for-granted quality and are no longer a matter of broad public debate" (Finnemore & Sikkink, 1998, p. 895).

## 2.4 Conclusion

IPE theories explain different viewpoints by stressing the significance of the various actors across the different levels of analysis. The first part of the theoretical framework chapter has evaluated the systemic theories of IPE, including realism and liberal institutionalism. The second part of the theoretical framework chapter has presented an analytical framework based on the domestic-level analysis, elaborating on the roles of interests, institutions, and ideas, expressing significant attention towards the correlations between those three aspects, including the important role they play in a variety of different occurrences and contexts. Such a framework can help to explore how interests, ideas, and institutions interact to influence, and ultimately, form policy developments and choices. A country's approach to PTAs is heavily influenced by the depth of the interaction of various political and economic interests, but ideas and institutions are the main factors in explaining their approaches. The institutions once established can affect the interests and ideas and, consequently, play an important role in influencing the formation of governments (Schmidt, 2011).

This chapter highlights that no single theory offers a sufficient explanation of trade politics and PTA formation. System-level approaches such as realism underscore the significance of power distributions and hegemonic leadership in shaping the contours of the international trade regime, but they fail to explain the variation across different agreements and the persistence of liberalisation during periods of the US decline (Gilpin, 1981; Kindleberger, 1973). Liberal institutionalist perspectives bring attention to the enabling role of regimes and the capacity of institutions to sustain cooperation, but they struggle to explain the stalling of multilateralism in the 2000s despite an abundance of institutional mechanisms (Keohane, 1984). In contrast, domestic-level approaches, particularly the OEP tradition, offer micro-foundational accounts that highlight the role of interests, institutions, and ideas in shaping preferences and decisions (Baccini & Dur, 2012).

The contribution of this chapter has therefore been to develop an integrated framework that incorporates perspectives from both systemic and unit-level theories, centred around the concepts of interests, institutions, and ideas. Importantly, this approach facilitates the analysis of how material motivations, institutional structures, and ideational commitments interact to influence trade policy outcomes. Crucially, it acknowledges the interdependence between these elements. Institutions both reflect and shape interests and ideas, while ideas provide the interpretive frames through which actors understand their material circumstances and the limitations of their institutions. This integrative framework thus avoids both structural determinism and domestic reductionism, providing a multi-dimensional perspective on the development of trade policy (Poletti & Zambernardi, 2022).

For this thesis, the framework provides the analytical scaffolding through which the subsequent empirical chapters are organised. The case studies of South Korea, Japan, and China illustrate how distinct constellations of interests, institutional arrangements, and ideational orientations have led to divergent approaches in the EU and the US trade policies and strategies. The framework also allows for the comparison between different cases. For instance, while systemic rivalry may explain the trade competition between the US and China, the distinctive institutional structures of the EU trade policy require further analysis (Mansfield & Milner, 2012). In this way, the framework not only directs the empirical analysis but also interacts with theoretical debates, evaluating the explanatory strength of system-level and domestic-level approaches.

Ultimately, what is to be taken forward from this chapter is a recognition that PTA formation and trade policy are the outcome of multi-level interactions between systemic factors and domestic processes. This interaction can be understood in line with the "two-level games" framework, where governments simultaneously respond to international constraints and domestic political pressures when negotiating trade agreements (Putnam, 1988). The framework developed here is applied in the case studies to trace how structural conditions create opportunities and constraints, while domestic actors, institutions, and ideas determine the strategies and policies followed by nations.

# Chapter 3: South Korea: Competitive Liberalisation or Strategic Coincidence?

## 3.1 Introduction

The specific purpose of this chapter is to assess the extent to which the interplay between system-level factors, particularly strategic competition, and unit-level factors shaped the EU and the US negotiations in terms of their FTAs with South Korea. The fact that negotiations by both the EU and the US took place at the same time, with each trying to secure an FTA with South Korea and to get there first, raises an important question. What is noteworthy about South Korea is the fact that it successfully concluded FTAs with the US and the EU more or less at the same time. Significantly, this raises the question of whether this simultaneity was more than a coincidence. If it was more than a coincidence, then this is related to the idea that systemic considerations, and particularly the strategic interaction between the EU and the US, drove their FTAs with South Korea.

This chapter examines the EU and the US FTAs with South Korea based on system-level theories of realism and liberal institutionalism and unit-level theories of ideas, interests and institutions. Rather than assuming the dominance of any single explanation, this combined framework is used to structure the empirical analysis. More significantly, it provides the foundation for examining how the EU and the US trade policies towards South Korea were formed in each case, how different sources of constraint and opportunity interacted, and how systemic factors were affected by domestic political and institutional conditions.

Drawing on primary sources, including official documentation from the European Commission and USTR, and elite interviews, I argue that both the EU–South Korea and the KORUS FTAs were shaped by diverse internal political and economic priorities, rather than strategic responses to each other's trade strategies and policies.

In the case of the US, the constitutional division of powers gives Congress a powerful role in trade policymaking, enabling organised lobbies to shape negotiating priorities and limit executive ambitions. On the other hand, the EU's system of trade governance, focused on the European Commission negotiating under a Council mandate, provides a more stable institutional framework. While member states influence the mandate, once it is agreed, the Commission can pursue longer-term objectives such as regulatory cooperation, sustainability, and competition policy with fewer domestic veto players and less resistance. Importantly, the EU's more centralised trade strategy facilitates longer-term planning and the pursuit of consistent goals, framed by concepts such as regulatory coherence and sustainability (Song, 2011).

The hypothesis investigated in this chapter is that convergence in timing and structure between the KORUS and EU–South Korea trade agreements may reflect a superficial alignment rather than strategic interaction. Importantly, while both agreements have several similar characteristics, including in-depth scope, commitments on intellectual property and services, and liberalisation across a wide range of sectors, the overriding policy objectives diverged substantially. For the US, the agreement with South Korea coincided with a broader shift in its trade strategy, focusing on investor protections, enhancing geopolitical influence, and a more assertive position on regulatory issues such as IP rights. Conversely, the EU's objectives were outlined around commercial interests, particularly improving market access for the EU exporters and projecting normative influence through provisions on competition policy, labour rights, and environmental standards (Song, 2011).

This analysis builds on about twenty years of scholarship, which has outlined South Korea as a critical case in the US and the EU strategic trade behaviour. However, by reassessing the South Korea agreements through a combination of a revision of the existing literature and new empirical research, the chapter argues that the apparent convergence between the US and EU policies covers a greater divergence in policy rationale.

## 3.2 Strategic Convergence? The US and EU's Simultaneous Pursuit of an FTA with South Korea

The simultaneous pursuit of FTAs with South Korea by the US and the EU provides a compelling case to analyse and examine the interplay of strategic, institutional, and normative drivers of trade policy. As outlined in Chapter 2, this thesis aims to determine the degree to which systemic and unit-level theories can explain specific outcomes of trade policy, rather than favouring one theory over another. While system-level theories explain the systemic factors driving trade policy, they do not entirely explain the divergence in institutional structure and content between the EU-South Korea and KORUS FTAs. It is in this context that unit-level theories become particularly useful. More specifically, unit-level theories provide a nuanced framework for examining how domestic institutions and sectoral interests mediate systemic pressures (Poletti & Zambernardi, 2022). It should be noted that the 'second image reversed' perspective allows us to understand how systemic factors, such as the rise of East Asian economies, stagnation of multilateral talks, and shifting global production networks, are filtered through the domestic institutional structures of the US and the EU (Gourevitch, 1978). This approach complements rather than replaces systemic theories by showing how similar structural incentives can generate parallel trade strategies without resulting in direct strategic alignment.

Importantly, this convergence can also be analysed through the concept of competitive liberalisation, which, as discussed in Chapter 2, operates primarily at the systemic level. It reflects how an anarchic international environment generates incentives for states to pursue sequential or parallel FTAs in order to avoid relative disadvantage (Evenett & Meier, 2008; Baldwin, 2006). Initially, the US and the EU's negotiations with South Korea might appear to reflect this logic, whereby both tried to secure preferential access before the other could do so. However, as the subsequent analysis will show, this synchronisation was not the result of reactive competition. More importantly, it rose from mutual structural considerations, including the desire to integrate into East Asian supply chains, establish regulatory influence, and respond to the liberalising position of South Korea. Therefore, the case shows how parallel outcomes can arise independently from different domestic factors and institutional rationales in each actor, rather than confirming competitive liberalisation as an example of direct strategic interaction.

South Korea is one of the world's leaders in the number and significance of FTAs and the world's sixth-largest export economy. The country has a highly developed industrial base, particularly in sectors like electronics, automobiles, and shipbuilding, and is an attractive trade partner for both the US and the EU. In addition, South Korea's geographical location and strong economic relations with other Asian economies, particularly China and Japan, make it a strategic opportunity for Western businesses aiming to expand in the Asian market. South Korea plays a critical role in global supply chains, particularly in electronics and automotive industries, where the US and the EU have significant investments. Securing an FTA with South Korea was seen as vital for both the US and the EU for maintaining and enhancing these supply chains, as well as increasing their exports (Heo & Roehrig, 2014).

It should be noted that both the US and the EU were keen on gaining preferential access to South Korea's market, and from a systemic perspective, this could be read as an effort to avoid relative disadvantage. Initially, the simultaneous pursuit of FTAs seems to reflect the logic of competitive liberalisation. If one bloc secured an FTA with South Korea, it could offer its businesses preferential treatment, potentially edging out competitors from the other bloc. However, as explained earlier in this chapter, there is little evidence that direct strategic competition drove the timing of these agreements. Instead, the synchronisation of the FTAs can be better explained by parallel responses to shared systemic pressures, combined with different domestic political and economic considerations within each actor.

South Korea pursued an active trade policy in the 2000s, concluding FTAs with major economies, and this proactive approach made it a ready partner for both the US and the EU (Heo & Roehrig, 2014). Initially, the parallel timing of the negotiations could be explained by the similar economic and strategic incentives facing the US and the EU, which is consistent with the principles of competitive liberalisation. The negotiations were complex and required significant time, but as this chapter shows, there is little evidence that either side's decision-making was directly influenced by the other. Rather, the simultaneity was the result of structurally similar pressures filtered through distinct domestic political factors, which produced outcomes that overlapped in timing but diverged in rationale. Significantly, interview findings suggest that South Korea used the negotiations with one partner as leverage in discussions with the other, to make sure that it could secure beneficial terms by playing the US and the EU off against each other (Interview 7; Interview 18).

## 3.3 US-EU Trade Policy Institutions

*Institutional mechanisms in the US trade policymaking*

This section of the chapter explores the institutional mechanisms of trade policymaking in the US and the EU, investigating how each actor's internal decision-making structures influence the development of their trade policies. More importantly, the analysis identifies the mechanisms through which domestic political and bureaucratic mechanisms affected the trajectories of the KORUS and EU–Korea FTA, as well as the EU and the US trade agreements and relations with Japan and China.

In the US, trade policy is shaped by an interplay of institutions and domestic political actors. Congress primarily holds power over trade, including legislative authority over tariffs, trade programs, and the ratification of trade agreements, while the President, via the USTR, negotiates within these constraints. This structure creates multiple veto points through which legislation, committees, and oversight can influence outcomes. Sectoral lobbies, industry groups, and other stakeholders also play a role in influencing trade policy by providing expertise, lobbying Congress, and interacting with the Executive, ensuring that trade agreements reflect domestic economic priorities and electoral factors (Kim, Pyo & Wood, 2018; Allen, 2019).

The US Constitution provides the legal ground for the formation of the American trade policy, granting Congress the authority to regulate foreign commerce. The President, by contrast, holds the exclusive power to negotiate agreements with other countries. Since the era before WWII, the US trade policymaking has evolved into a complicated institutional process involving both

Congress and the Executive, aiming to balance competing economic and political interests and, at the same time, reduce tariff and non-tariff barriers to trade. Historically, before 1934, trade policy was almost exclusively under congressional control. Congress directly set tariff rates with minimal involvement from the President. As a result, the US trade policies were significantly influenced by domestic political considerations, frequently leading to unstable tariff regimes and increased protectionism (Allen, 2019).Between the Civil War and the passage of the highly protectionist Smoot–Hawley Tariff Act of 1930, Congress maintained exclusive control over trade tariffs. The Smoot–Hawley Act, one of the most protectionist pieces of trade legislation in US history, implemented tariff rates second only to those of the 1828 Tariff Act. The Act extended the “flexible tariff provision” of the 1922 Act, preserving the President’s authority on the advice of the Tariff Commission to adjust tariff rates via proclamations (Lowande, Jenkins & Clarke, 2018). Although intended to protect the US producers during the Great Depression, the Act triggered a global backlash, prompting retaliatory tariffs from major trading partners and deepening the economic crisis (Kim, Pyo & Wood, 2018).

A critical turning point occurred in 1934 with the enactment of the Reciprocal Trade Agreements Act (RTAA). The Democratic administration, having won the 1932 election, tried to depoliticise trade policy by reducing congressional influence and delegating limited authority to the President in order to negotiate reciprocal tariff reductions. This shift enabled the Executive to lower or eliminate tariffs within predefined limits without the need for new legislation, a system that remained largely intact until the early 1970s. Nevertheless, while the President serves a national constituency and may be more insulated from parochial interests, domestic politics continue to influence trade policy at the executive level (Destler, 1995).

Congress modified the authority delegated to the President under the Trade Act of 1974 to allow for the inclusion of non-tariff issues in trade policy negotiations, thereby reasserting its authority to approve any final trade agreement under the new Trade Act. Congress also set its authority to establish negotiating objectives for new trade agreements and other requirements of the policymaking process, such as the notification and consultation of the President to the legislators before, during and after the negotiating process (Allen, 2019).

*Institutional mechanisms in the EU trade policymaking*

The trade policymaking process in the EU is a combination of intergovernmental and supranational elements. More significantly, trade policy in the EU involves two levels of delegation. First, the 1957 Treaty of Rome officially transferred the competence to negotiate and conclude international agreements on trade from the individual members to the collective entity. The second level of delegation is the practical transfer of competence from the Council of Ministers to the European Commission, composed of the EU bureaucrats, to defend the collective interest (Meunier, 2005).

The European Commission is checked by principals during and after international negotiations. More precisely, the EU member states define the negotiating authority of the Commission before the beginning of the negotiations and during the negotiations, the 133 Committee and the Special Committee on Agriculture act as consultative bodies that monitor and guide the Commission. In addition, member states ratify the agreements negotiated by the Commission through ex post control mechanisms. “Principals, however, are not able to anticipate every contingency, especially when agents are given broad discretion or when the policy preferences of principals change over time, through, for example, elections” (Da Conceicao, 2010, p. 1115).

The European Commission creates trade proposals, negotiates with other parties and coordinates the actions of the EU and its member states. Under Article 133, a committee is appointed by the Council in order to work together with the Commission in the formation of the EU’s trade policy. This Committee consists of the Commission and representatives of the EU member states, and it is guided by the European country that happens to be the presiding state, coordinating relevant parties to create the EU trade policy. It is a decision-making centre for the Community’s commercial policy, addressing related trade issues such as Doha Development Rounds, FTA/EPA talks between the EU and other regions, import/export market access tools and all other trade components (Wallace, Wallace & Pollack, 2005).

The Council consists of the heads of state of the EU member states, the President of the European Council and the President of the European Commission. In addition, the High Representative of the Union for Foreign Affairs and Security Policy also take part in its meetings when foreign affairs issues are discussed. It should be noted that the Council defines the EU's overall political direction and priorities, without negotiating or adopting the EU laws, because it is not one of the EU's legislative institutions. Significantly, the Council plays a crucial role in shaping the EU's new trade agreements, authorising the European Commission to negotiate new trade agreements on behalf of the EU member states through a negotiating mandate. The Council provides negotiating directions that outline the objectives, scope and potential deadlines for the negotiations, with the Commission representing the EU in the negotiations with the partner country, working in collaboration with both the Council and the European Parliament (European Council, 2020).

The Commission presents formal proposals for approval to the Council after the trade agreement on the text of the deal is reached with partners. The Council, after discussions, decides whether to sign the agreement on behalf of the EU. Then, the Council transmits the signed agreement to the European Parliament for approval. The Council decides to finalise the agreement following the approval of the European Parliament (European Council, 2020).

The European Parliament has formal competencies in two main areas of the EU's Common Commercial Policy (CCP). More specifically, in terms of international trade agreements, the European Parliament has the right to information and the power of consent and co-legislative powers under the Ordinary Legislative Procedure for defining the framework for implementing the CCP. Notably, the European Parliament has formal competencies not only in terms of the negotiations of FTAs. Significantly, the European Parliament can adopt regulations regarding commercial instruments, such as legislation for the internal decision-making framework for matters of the CCP, including trade defence instruments, as well as legislation to modify autonomous trade measures, such as trade preferences for developing countries, and legislation regarding bilateral safeguard clauses within international trade agreements (Kerremans et al., 2019).

### 3.4 US-South Korea Relations

This section provides some historical and political background of the US-South Korea relations. More significantly, this background is of vital analytical importance for explaining how the structure and content of KORUS emerged, and it prepares the ground for the subsequent analysis of the negotiation process. It highlights that the US–South Korea trade relationship was deeply rooted in established structural foundations of strategic alignment and mutual dependence, which far precede the shorter period of apparent strategic convergence between the US and the EU in their FTAs with South Korea. While both the KORUS and EU-South Korea FTAs were negotiated in close temporal proximity, this synchronisation should not be overstated. Rather than reflecting direct strategic interaction or competitive liberalisation, the KORUS FTA can be more accurately understood as the outcome of a decades-long alliance framework that created the conditions for trade cooperation. It should be noted that although geostrategic considerations were significant, the US trade policy was mainly driven by domestic factors. Most notably, this included the influence of powerful interest groups and the institutional constraints imposed by a divided Congress. Significantly, these factors resulted in a trade strategy that was often inconsistent. This lack of coherence was later illustrated by the difficulties surrounding the TPP, where executive ambitions were ultimately restricted by resistance from Congress and lobbying pressures. In this sense, the US strategy combined geopolitical objectives with a fragmented domestic policy environment, producing a more inconsistent and at times contradictory approach to trade diplomacy. On the other hand, the EU's approach was more coherent and commercially focused. This strategy prioritised regulatory cooperation and market access, reflecting its broader external economic governance objectives. Unlike the US, where strategic aims were filtered through domestic fragmentation, the EU's trade policy was less constrained by internal veto players and therefore better able to project a consistent regulatory agenda abroad.

It should be noted that the depth of the KORUS FTA, particularly when compared with the more limited scope of other US trade agreements in East Asia, raises an important analytical question which is why did the US pursue such a comprehensive agreement in this instance, despite its broader pattern of favouring shallower and more ad hoc arrangements in the region? This is important because it illustrates that the US trade policy in East Asia has historically been inconsistent, shaped not mainly by system-level or security factors but by domestic considerations, notably the interaction between executive ambitions, congressional constraints, and powerful sectoral interests. From this perspective, the KORUS FTA stands out as an exception. Rather than being the result of strategic competition with the EU, its depth reflected a rare alignment of factors: post-9/11 congressional acquiescence to executive initiatives, a favourable macroeconomic environment, and a clear set of security and alliance considerations that coincided with domestic openness to deep market integration.

South Korea's role as a security ally and a technologically advanced economic partner acted as a facilitating condition rather than a main explanatory factor, allowing the remarkable convergence of domestic and external drivers to produce a comprehensive FTA. As Aggarwal and Urata (2006) note, the depth and scope of Asian FTAs frequently result from domestic coalition dynamics and sectoral interests, rather than just strategic competition. Thus, the KORUS FTA represented an exceptional case where economic ambition and alliance management converged, which ultimately reinforced the existing US approach regarding regional trade diplomacy.

The constitutional division of powers gave Congress a crucial role in ratification, allowing partisan contestation and sectoral lobbying. Key industries, such as agriculture, pharmaceuticals, automobiles, and digital services, played a central role in shaping the negotiating priorities (Schott & Cimino-Isaacs, 2014). Despite the Bush administration's efforts to pursue a comprehensive liberalisation agenda, Congress changed provisions in response to organised interests. This resulted in an uneven trade strategy, characterised by ambitious executive proposals that were countered by legislative resistance (Interview 2). KORUS stands out as an exception because the specific conditions following 9/11 created a temporary alignment. More specifically, Congress was more compliant, economic conditions were good, and pressures from interest groups converged. This explains why South Korea produced a comprehensive FTA, whereas other trade agreements, such as with Japan, faltered.

The US became a key economic and security patron of South Korea from the 1950s onwards, providing substantial development assistance, military protection under the US-South Korea

Mutual Defence Treaty (1953), and preferential market access. Throughout the Cold War, trade relations were framed within a broader geostrategic architecture that prioritised containment of communism and regional stability in East Asia. As South Korea underwent rapid industrialisation in the 1960s and 1970s, heavily driven by export-oriented growth, the US remained its most important export market, particularly for textiles, electronics, and later automobiles. Due to South Korea's increased industrial competitiveness during the 1980s and 1990s, trade tensions between the two nations grew. Several bilateral negotiations under Section 301 of the US Trade Act and demands for liberalisation resulted from disputes over market access, IPR, and regulatory obstacles. Nevertheless, despite economic disagreements, the strategic partnership between the two nations continued. It should be noted that the concept of a comprehensive FTA first surfaced in the early 2000s; negotiations began in 2006, and the KORUS FTA was signed in 2007, revised in 2010, and put into effect in 2012 (Ham, Pardo & Cho, 2023).

When assessing the strategic justification for the KORUS FTA, it is important to take into account the geopolitical context of the early 2000s, particularly the US foreign policy approach in East Asia. Importantly, the Bush administration viewed FTAs as strategic tools to strengthen alliances, promote liberal democratic values, and contain the growing influence of China (Schott & Cimino-Isaacs, 2014). In this context, the KORUS FTA should be understood not simply as an extension of traditional alliance politics, but as part of a broader post-9/11 reorientation of the US trade strategy under the George W. Bush administration, a reorientation facilitated by a historically unusual period in which presidential authority faced minimal congressional resistance between 2001 and 2008, allowing executive trade initiatives to proceed with rare autonomy, something that has not been repeated since then. Rather than being directly driven by security considerations, the adoption of PTAs reflected a deliberate move away from multilateralism, with policymakers viewing bilateral and regional agreements as ways to maximise the US bargaining leverage and establish its regulatory preferences (Hopewell, 2016). Significantly, this strategic adjustment led to the securitisation of trade policy and economic instruments were increasingly used to achieve geopolitical objectives. Agreements reached with key partners, such as Singapore and Australia, like KORUS, were illustrative of this new direction. However, their main function was mainly about projecting the US influence through legal and institutional mechanisms aligned with liberal market norms, and less about strengthening existing security partnerships (Solis, 2017).

In addition, the domestic political environment within South Korea also affected the country's openness to a bilateral FTA with the US. The Roh Moo-hyun administration was keen to consolidate South Korea's position as a global middle power (Kim, 2016), a vision that found expression in the use of FTAs as instruments of economic and diplomatic prestige (Lee, 2012). Importantly, the beginning of the FTA negotiations with South Korea was part of the broader trade agenda of the George W. Bush administration. During the early 2000s, the US was actively pursuing bilateral and regional FTAs as a strategy to liberalise trade and establish stronger economic ties with key partners. South Korea emerged as a strategic partner due to its growing economic importance and status as a major trading nation in Asia. Notably, South Korea's significance as a trading partner was driven by several factors. To be more specific, South Korea was and remains a significant economy, particularly in high-tech manufacturing and services. Moreover, South Korea's geographic location in East Asia positioned it as a key player in both regional trade and geopolitics. (Campbell, Manyin & Nikitin, 2022). Crucially, these factors must be understood and analysed in conjunction with the domestic political factors operating within the US. To be more precise, the relative acquiescence of Congress to the executive branch during the post-9/11 period, combined with the power of influential interest groups and lobbying, created a unique window. This allowed the Bush administration to successfully pursue a comprehensive FTA with South Korea that would have been more difficult under typical domestic constraints.

Significantly, the FTA with South Korea continued to be a priority under the Obama administration, reflecting a bipartisan approach to trade liberalisation and economic engagement with East Asia. Although this bipartisan momentum was relatively short, with attention shifting to other trade priorities and increasing domestic political constraints by the mid-2010s, it showed that KORUS was an aberration in the broader trajectory of the US trade policy. This context is critical for understanding the motivations and implications of the US trade policy in the early 21st century (Byung-Il & Oh, 2021).

The previous chapters revealed that the decline of the US power in the international system led to the weakening of the importance of the WTO, in which the US was among the leading members. Initially, it was expected that the WTO would not only contribute to the growth of the US businesses but also restrict countries like China with an established set of rules, leading to a more stable order. Significantly, the failure of the Doha Development Round of WTO negotiations negatively affected the reputation of the organisation, resulting in the proliferation of bilateral FTAs that ruled the regional and international trade system. According to Robert Zoellick, the US trade policy changed its focus from multilateralism to bilateralism under the rubric of 'competitive liberalisation,' where global, regional, and bilateral negotiations are mutually supportive (Aggarwal, 2010; Evenett & Meier, 2008).

After the 9/11 attacks, the Bush administration tried to achieve a balance between economics and security, negotiating PTAs while integrating trade liberalisation into its geopolitical objectives. Notably, the US-Jordan FTA, and before that the US-Israel FTA, are clear examples of using PTAs in order to pursue foreign policy objectives. Significantly, the US foreign policy interests in these countries are more important than its economic and trade interests, with these agreements being primarily motivated by political factors. These two agreements are examples of BTAs between very small economies and a very large economy. More specifically, in 2000, the US economy was about 85 times bigger than that of Israel and more than 100 times bigger than that of Jordan (Rosen, 2003). However, the feasibility of these trade agreements was greatly conditioned by domestic factors. These factors included congressional approval, lobbying by key interest groups, and the executive's capacity to act decisively in a political environment where opposition was limited. From this perspective, while security considerations provided the strategic incentives, the successful conclusion of the agreements depended on a convergence of domestic support, highlighting the volatility and domestic constraints of the US trade policymaking.

The diplomatic and economic relations between the US and South Korea have grown significantly over the years, strengthening their relationship as key allies in the Asia-Pacific region, with the KORUS FTA being central to this partnership. Significantly, South Korea has a unique position in the geopolitical landscape, acting as an important ally for the US in East Asia (Campbell, Manyin & Nikitin, 2022). However, the conclusion of a deep FTA, unlike with other security partners, cannot be explained by strategic considerations. Noticeably, it reflected an unusual alignment of factors, including executive authority without objection from Congress in the post-9/11 period, relatively stable economic conditions, and the absence of strong domestic opposition. This resulted in a comprehensive FTA with South Korea.

The US military presence in South Korea, as well as combined military exercises, emphasise the mutual commitment to maintaining peace and stability in the region. Notably, the US has a strong military presence in South Korea, and this prevents potential threats from North Korea and creates regional stability. South Korea's stability is crucial for maintaining peace and security in East Asia, as any conflict or instability in the South Korean Peninsula could have significant implications for the entire region. Importantly, the KORUS FTA represents an important milestone in the economic relationship between the US and South Korea. The agreement has substantially reduced trade barriers, facilitated the exchange of goods and services, and enhanced market access for businesses in both nations (Campbell, Manyin & Nikitin, 2022; Byung-Il & Oh, 2021).

### 3.4.1 The KORUS FTA

This part of the chapter focuses on the KORUS FTA, analysing the institutional and political factors that influenced the US approach during the negotiations. More significantly, by examining pressures from Congress, influence from industry lobbying and executive priorities, the section identifies the domestic mechanisms that influenced the scope and content of KORUS. Importantly, this analysis provides the basis for evaluating the degree to which the US and the EU trade policies diverged or converged.

According to Aggarwal and Lee (2011), FTAs and PTAs were not a significant part of the US trade and regional policy before the official announcement of the KORUS FTA negotiations. "The impetus behind KORUS was largely a set of bilateral concerns. South Korea was looking for a way to lock in domestic reforms, while the U.S. was eager to solidify relations with its important ally. However, the US officials immediately saw the significance of a KORUS trade deal in terms of changing the dynamics of the emerging FTA network in East Asia" (Searight, 2011, p. 113). The KORUS FTA is a core part of the East Asian FTA network, serving as a building block for a wider APEC trade agreement, creating a domino effect, motivating other countries to seek agreements with the US and South Korea (Aggarwal & Lee, 2011). In addition, interviews revealed that South Korea wanted the FTA with the US in order to promote changes in their economy and at that time, they were negotiating many agreements. It should be noted that the Bush administration made a global vision of foreign policy, including trade in the agenda, with the Obama administration trying to revive trade agreements, and an agreement with an East Asian ally like South Korea was part of that strategy (Interview 2; Interview 20).

The KORUS FTA is the second-largest FTA for the US since the NAFTA took effect, and the second largest for South Korea after the EU-South Korea FTA, being the most commercially significant FTA the US has undertaken. The KORUS FTA was presented to Congress by President George W. Bush, aiming to further enhance the strong relations between the US and South Korea (Campbell, Manyin & Nikitin, 2022). As far as the EU-South Korea FTA is concerned, it is the first agreement of the 2006 GE strategy and the first FTA that the EU concluded with an Asian country, strengthening the EU's presence in the continent. In addition, the EU-South Korea FTA is the first comprehensive FTA that the EU completed with a fully industrialised and developed economy, serving as the most visible expression of the GE strategy, which aims to reduce tariff and non-tariff trade barriers and liberalise markets for foreign investment (Cooper et al., 2011A).

For Presidents Bush and Obama, the FTA with South Korea was driven by a combination of similar and different reasons, reflecting the economic, strategic, and political perspectives. Both Presidents recognised the potential of South Korea's market for US exports and considered the FTA an opportunity to strengthen the US-South Korea relations. Notably, Bush initiated the FTA in 2006, a time of relative global economic stability before the 2008 global financial crisis, focusing on expanding free trade as a key economic policy. Obama took office during the global economic recovery from the financial crisis, promoting the FTA as part of the efforts to stimulate economic recovery and reestablish the US economic leadership globally (Interview 4). Bush's objective was to promote economic growth and competitiveness. However, he still faced concerns from labour unions and industry groups. Significantly, Obama faced significant opposition from his Democratic Party, particularly from labour unions and progressive groups worried about the possibility of negative impacts on American workers. As a result, he needed to balance these concerns while pursuing the FTA, stressing the inclusion of stronger labour and environmental standards in the agreement (Interview 1; Interview 13). In 2006, the Bush and Moo-hyun Administrations initiated the KORUS FTA negotiations and signed the agreement in June 2007. In October 2011, the House and Senate passed H.R. 3080, the United States-Korea Free Trade Agreement Implementation Act, which was later signed by President Obama. In March 2012, the US-South Korea FTA came into effect. Upon the date of implementation of the KORUS, 82% of US tariff lines and 80% of South Korean tariff lines were tariff-free in US-South Korean trade, compared to 38% of US tariff lines and 13% of South Korean tariff lines before the KORUS. Ten years after the FTA went into force, the figures were predicted to rise to 99% and 98%, respectively, with tariff removal happening gradually and the most sensitive products having the longest phase-out durations. The KORUS FTA calls for the reduction or elimination of non-tariff trade barriers in commodities, services, and foreign investment. The agreement strengthened the bilateral relationship between the US and South Korea, solidifying their status as key allies in the Asia-Pacific region. It also served as a demonstration of the US commitment to the region and its economic interests (Campbell, Manyin & Nikitin, 2022).

To address shortcomings in KORUS, the Administration negotiated further amendments and modifications to KORUS, which entered into force on January 1, 2019. More precisely, these amendments and modifications significantly improved market access for the US automotive products, while delaying the elimination of the US tariffs on trucks until the year 2041. Moreover, the negotiations addressed long-standing concerns regarding heavy and costly South Korean customs verification procedures by agreeing on principles for conducting verification of origin of exports under KORUS and by establishing a working group to monitor and address any future issues that may arise. Exports of US goods to South Korea were about $57 billion in 2019, while imports were $77.5 billion, creating a deficit of over $20 billion. Throughout 2019, USTR continued working to ensure South Korea's compliance with its obligations under KORUS (USTR, 2020A).

After the US and South Korea reached an agreement to conclude a bilateral FTA, they faced a protracted period of four and a half years while awaiting ratification from their legislative authorities. The KORUS FTA completion relied significantly more on US actions than on South Korea's. Choi (2015) suggests that constituent interests were of paramount importance in the US legislators' trade policy voting for the KORUS FTA, and that it was more likely to affect the House of Representatives' vote on the agreement than the Senators' vote.

Significantly, both sectoral (import and export) and factorial (business and labour) coalitions influenced the US congressional vote on the KORUS FTA. According to this finding, the KORUS FTA resulted from domestic political manoeuvring among expected winners and losers (Choi, 2015).

Importantly, South Korea was one of the best options for forming the first regional FTA based on the level of economy and political relations. The Bush Administration proposed the KORUS FTA in order to institutionalise the US economic presence in East Asia, being the result of domestic and international considerations. Domestically, this reflected a period of unusually strong presidential authority in the aftermath of 9/11, when Congress largely acquiesced to the executive's trade agenda. In addition, business lobbies, such as in the automotive and services sectors, pushed for improved market access to South Korea, while organised labour mobilised in opposition, making KORUS a crucial point for congressional debate (Interview 16). There is no evidence that the negotiation of KORUS was a reaction to the EU's trade policy. According to congressional hearings and executive statements, domestic political considerations link trade liberalisation to foreign policy objectives in the post-9/11 environment. The EU was not part of the conversation, and policy attention was focused on regional alliance management and internal ratification politics (Interview 2). This supports the argument that what may appear as competitive liberalisation was, in fact, a coincidental alignment resulting from different domestic considerations.

In addition, although the negotiations and ratification of KORUS were marked by intense partisan divisions and lobbying conflicts, the final approval showed a degree of bipartisan convergence once key compromises had been made, indicating the great importance of maintaining the US power and influence in East Asia within the context of China's rapid growth (Campbell, Manyin & Nikitin, 2022). This support illustrates the consensus on the strategic necessity of a robust US presence in the region. In November 2011, South Korea's National Assembly ratified the KORUS FTA, thus strengthening the trade security nexus with the US. It should be noted that this ratification marked a pivotal moment in strengthening bilateral ties and aligning security interests with economic cooperation (Lee, 2012).

It should be noted that the agricultural sector and farmers in the US were not fully satisfied with the KORUS FTA regarding the terms of access for US beef; they put pressure on the US government to open the South Korean market for further imports of US beef, pointing out that the KORUS FTA will strengthen and enhance the US farmers in the following decades. Importantly, the automobile industry was initially against the FTA with South Korea, expressing its dissatisfaction with ratification in Congress. General Motors remained neutral while Chrysler and Ford were against the agreement before it was modified in 2010 to address outstanding issues, with the US Chamber of Commerce and the KORUS FTA Business Coalition supporting the agreement (Cooper et al., 2011B).

Reaffirming its role as a hegemon in East Asia was an important motive for the US, with the South Korean government using this to press and push for the ratification of the agreement. Simultaneously, the existence of the US was of paramount importance for South Korea in order to boost security in the region in the context of North Korea's nuclear hostility, with the US enhancing its position in the region. The security alliance between the US and South Korea not only protects South Korea's security but also protects the US strategic interests in the region, including maintaining peace and stability, ensuring freedom of navigation, and countering regional security challenges (Aggarwal & Lee, 2011). Domestically, this period reflected an unusual political environment. More significantly, following the events of 9/11, presidential authority over trade was particularly strong, and Congress demonstrated a greater willingness to delegate to the executive, creating a window for advancing FTAs. This environment enabled the Bush administration to advance its agenda for bilateral FTAs, with KORUS ultimately benefiting from that temporary political alignment (Interview 2; Interview 18).

At the same time, the international trade environment had shifted. The collapse of the Doha Development Agenda (DDA) negotiations after 2003 resulted in the US intensifying its pursuit of FTAs as an alternative means of trade liberalisation and influence (Interview 11). South Korea's growing openness to FTAs and its geopolitical significance made it a suitable candidate for this bilateral strategy. It should be noted that the leadership of Robert Zoellick as USTR was of great importance. To be more specific, after the collapse of the DDA, he framed FTAs as a means to advance the US strategic interests while bypassing stalled multilateralism, securing trade agreements that could set templates for future trade rules and strengthen US alliances. This approach reflected domestic political considerations, as Zoellick attempted to show Congress that the Bush administration could deliver substantial trade successes in a difficult post-9/11 environment (Interview 18). In other words, while Zoellick's tenure coincided with a push to integrate strategic and security concerns into trade policy, domestic factors, particularly in the US Congress, played a vital and challenging role in the ultimate approval of the KORUS FTA (Interview 13; Interview 17).

A trade policy consultant with experience advising the European Parliament, OECD, and governments, among others (Interview 7), argued that when Doha collapsed, the US looked elsewhere, and FTAs became a default tool for asserting leadership. At the same time, a researcher at a US strategic policy research institute (Interview 11) observed that while major business lobbies initially preferred a multilateral outcome, they adapted quickly once bilateralism became the only viable channel. These perspectives highlight that the KORUS FTA also formed part of a broader US response to overcome multilateral stagnation in trade negotiations.

According to my interviews, domestic politics is a constraint on the US trade policy, and this is a function of democratic systems. For instance, the UK has been pushing hard for an FTA for a long time, but the US has been resisting that. More significantly, the Biden administration wanted to re-emphasise the importance of workers on the trade agenda. Primarily, domestic factors influence the US trade policy, and these are mainly the workers. More specifically, the US has seen severe income inequalities, and workers who supported globalisation stopped supporting it as they didn’t see any benefits. A number of interviewees mentioned that the US adjusts its trade policy based on domestic politics and domestic economic interests, with FTAs being a tool of political strategy for the US (Interview 2; Interview 13, Interview 20).

One key dimension of this domestic constraint is the institutional framework of the US trade policymaking. In the US, trade agreements frequently need congressional approval, particularly when they require legislative changes. This adds complexity to trade negotiations, requiring that any proposed FTA must accommodate the interests of key domestic stakeholders. These stakeholders include labour unions, industry groups, and legislators who may prioritise local economic concerns over strategic objectives. Furthermore, a more worker-centric approach to the US trade policy is reflected in the Biden administration's emphasis on labour rights. This shift is based on the long-term economic damage caused by globalisation, where manufacturing job losses and wage stagnation have increased pessimism about trade liberalisation. Many American workers, particularly those in industries exposed to international competition, have become more resistant to new trade agreements unless they explicitly incorporate labour protections and mechanisms to prevent job outsourcing. As interviewees noted, this change in domestic attitudes has resulted in a more protectionist approach in the US trade negotiations, with an emphasis on ensuring that any trade deal aligns closely with domestic economic interests, rather than simply pursuing geopolitical goals (Interview 17; Interview 20). Interviews revealed that because South Korea is an ally and there is no competition between them, it was simple for the US to negotiate an FTA with that country. At the same time, South Korea had geopolitical interests in doing an FTA with the US, and that made the agreement even easier to complete. In addition, the structure of South Korea's economy makes it very important for both the EU and the US, being a very open country in terms of trade and very efficient economically. Moreover, South Korea is more aligned with the US and the EU, rather than China, sharing similar values, having a stable political environment and a prime geostrategic location. Importantly, according to my interviews, when the US signed the FTA with South Korea, there were no negotiations with China and Japan, and it was very difficult to conclude an FTA with ASEAN as a whole. As a result, South Korea was the main economy in East Asia for the US to sign an FTA (Interview 2; Interview 17; Interview 18).

The South Korea case demonstrates that the depth and timing of the EU and the US FTAs were mainly determined by domestic political and institutional considerations. In the US, the constitutional division of powers gave Congress a critical role in trade negotiations, establishing clear pathways for sectoral lobbying and partisan contestation. Important sectors such as agriculture, pharmaceuticals, and digital services exerted substantial influence over the negotiating priorities, thereby defining and, at times, limiting the executive’s trade goals. KORUS stands out as an exception. Post-9/11 congressional acquiescence, positive economic conditions, and aligned interest group pressures created the perfect environment for security and economic goals to converge, resulting in a comprehensive FTA (Interview 2; Interview 18)

## 3.5 EU-South Korea Relations

Unlike the US, the EU did not have major geostrategic interests on the Korean Peninsula and approached the FTA primarily as an effort to enhance competitiveness, secure market access, and establish high regulatory standards globally (Cooper et al., 2011A). This section focuses on the differences between the EU's market-oriented rationale and shows how historical developments in trade diplomacy influenced the scope of the EU-South Korea FTA. This sets up the analytical argument that, although the US and EU negotiated with South Korea at a similar time, their motivations and institutional approaches diverged considerably, reflecting fundamentally different trade policy agendas.

Importantly, the EU–South Korea FTA should also be understood within the broader context of the EU's GE strategy, which indicated a clear direction towards BTAs designed to enhance the EU's global economic competitiveness. Within this framework, South Korea was not an isolated case but one among a series of priority agreements designed to open up export markets. The EU at that time had FTAs with Mexico and Chile and was also negotiating with India, Canada, and South Africa (William et al., 2011). As Siles-Brugge (2014) argues, the EU's post-2006 trade agenda reflected a shift towards competitive liberalisation, where trade policy was redesigned as a tool to promote economic restructuring and business innovation within the single market. The negotiation of the FTA with South Korea secured first-mover advantages in a rapidly developing East Asian economy and reinforced internal reform through external liberalisation. The EU's rationale was integrated into a broader economic agenda prioritising regulatory export and supply chain access over geopolitical leverage (Siles-Brugge, 2014).

Trade relations between the EU and South Korea have been mainly commercially focused, with limited strategic involvement. Formal diplomatic relations were established in 1963 between the European Economic Community (EEC) and South Korea, but substantial economic engagement began during the 1980s, following South Korea's industrial rise and increased integration into global value chains. By the 1990s, South Korea had emerged as one of the EU's most important trading partners in Asia. This development led to initiatives aiming to formalise the relationship through institutional arrangements, including the 1996 Framework Agreement on Trade and Cooperation (Dent, 1999). More specifically, according to Eurostat data, the EU imports from South Korea increased from approximately €5.7 billion in 1990 to €12.8 billion in 1995, while exports grew from €4.4 billion to €10.3 billion during the same period, reflecting a significant expansion of their economic cooperation (Eurostat, 1997).

In comparison, the US sustained a larger trade volume with South Korea during the same period. In 1995, US exports to South Korea totalled over $25 billion, while imports were about $24 billion, resulting in a trade surplus of over $1 billion for the US. This was a substantial increase from 1994, when the US had a trade deficit of $1.6 billion with South Korea. The rapid growth in US exports, which were up around 40% from the previous year, highlighted the evolving elements of the bilateral trade relationship (United States Census Bureau, 1996). Notably, this economic activity was influenced by domestic political concerns. For the US, the trade relationship with South Korea reflected not only economic benefits but also the need to navigate congressional politics, manage influential sectoral lobbies, and link trade liberalisation to foreign policy objectives (Interview 2; Interview 18). As far as the EU is concerned, its engagement was primarily formed by institutional and regulatory factors, with negotiators emphasising market access, competitiveness, and alignment with current EU trade policy frameworks (Interview 7). Therefore, this difference comes from two economies that use trade policy and FTAs in different ways based on domestic and systemic priorities.

However, it was not until the early 2000s, following the Doha Round's stagnation and the situation of uncertainty created by transformed power relations for the emerging powers and the EU (Ahnlid & Elgstrom, 2014), that the EU initiated a shift in its trade strategy towards bilateralism. The 2006 GE strategy indicated a turning point, during which the EU designated South Korea as a 'priority FTA partner' based on the size of its economy, its strategic position as a gateway to East Asia, and the opportunity to secure first-mover advantages. More specifically, the European Commission in 2006 announced its GE strategy, which recommended pursuing ambitious FTAs based on trading market access for the EU's remaining 'pockets of protection', with the EU-South Korea FTA being the first of these agreements (Siles-Brugge, 2011). This marked a significant policy shift. Most importantly, a few years earlier, under Trade Commissioner Pascal Lamy, the EU had effectively imposed a moratorium on bilateral FTAs, prioritising multilateral liberalisation through the WTO. However, the collapse of momentum in the DDA after 2003 demonstrated the limits of that approach (Woolcock, 2007).

South Korean officials acknowledged the EU's importance as an economic power, particularly in terms of regulatory standards and market access, but did not consider it as a security partner. From the EU side, the agreement was driven by commercial incentives and the goal of establishing the EU's presence in Asia's most powerful markets, rather than by geopolitical considerations. This underlines the unique character of the EU–South Korea FTA. Most importantly, while it enhanced the EU profile in the region, it was pursued as an economic instrument, not a tool of strategic rivalry (Interview 3).

Negotiations between the EU and South Korea for the FTA officially began in May 2007 in Seoul. On 15 October 2009, the FTA was agreed by the EU and South Korea after eight rounds of negotiations. A year later, on 6 October 2010, the agreement was signed during the EU-South Korea Summit in Brussels, with the European Parliament giving its consent to the FTA on 17 February 2011. It was subsequently provisionally applied commencing 1 July 2011, until its full legal entry on 13 December 2015. The EU-South Korea FTA was, upon conclusion, one of the EU's most ambitious trade agreements ever concluded (Lakatos & Nilsson, 2017).

In 1996, the EU and South Korea signed the Framework for Trade and Cooperation, as well as a Joint Declaration on Political Dialogue. In 1997, they signed the Agreement on Cooperation and Mutual Administrative Assistance in Customs Matters, aiming to establish an economic environment for both parties and to engage in information exchange on customs laws. As WTO members, both the EU and South Korea are parties to the Agreement on Government Procurement (GPA). The GPA aims to liberalise member procurement markets by setting rules for transparency and non-discriminatory procedures for public tenders. It was first signed in 1979, and the most recent revised version took effect in 2014 (European Commission, 2018A).

Due to the fact that there are significant benefits from external trade for European companies, the member states of the EU have authorised the European Commission to negotiate new FTAs with Asian countries. More importantly, trade is an exclusive competence of the EU, and once the Council authorises negotiations, the European Commission represents the Union as a whole. This institutional structure allows the EU to present a coherent negotiating position while also protecting the process from some domestic pressures. On the other hand, the US trade policymaking is more fragmented. Although the executive leads negotiations, Congress retains substantial authority, including the power to ratify or block agreements. It should be noted that the Constitution grants commerce as a Congressional responsibility, while the President has the power to sign agreements. Technically, the power to negotiate trade deals lies with Congress, but in the past, it has delegated this responsibility to the President. Since the 1990s, this process of delegated authority has been increasingly problematic. This system of multiple veto players makes the US trade policy more vulnerable to special interest conflict and sectoral lobbying, slowing down or constraining its trade strategy. The EU's institutional framework, therefore, gave it greater capacity to pursue an ambitious agreement with South Korea, while also reflecting the balance of member state preferences within the Council mandate (Da Conceicao, 2010). More significantly, the EU prioritised India, South Korea, and the ASEAN states. As far as South Korea is concerned, it is one of the EU's most significant trade partners in Asia, representing a vital political and economic partner in terms of economic development and strategic location. Significantly, South Korea's geopolitical location makes it a player of paramount importance in the power dynamics of East Asia and its relationships with neighbouring countries, including China and Japan, influencing regional politics and security. In terms of trade, the EU enjoys a trade surplus with South Korea in several sectors, including medical equipment, pharmaceuticals, chemicals, industrial machinery, and auto parts. In addition, South Korea is a key market for the EU's agricultural sector, particularly for high-value exports protected by Geographical Indications (GIs). Politically, South Korea is regarded as a key partner regarding major matters, including security, economic issues, environmental issues, and cooperation in regional and international organisations (Marx et al., 2013).

Interviews found that South Korea does not look at the EU as a security partner, as it does with the US. In the case of the EU, there is a recognition of its importance as an economic actor and the potential that the EU can play an important role in mitigating against some of the worst aspects of the security competition, with the EU being happy to play that role. While the EU is not a direct security partner of South Korea and defers to the US on security matters in the

Asia-Pacific region, interview evidence suggests that the EU’s FTA with South Korea is primarily economically motivated rather than strategically driven. Strategic competition with the US is present in terms of trade influence, but it is secondary. It should be noted that the EU's approach through its FTA with South Korea allows it to compete with the US for influence, market access, and the setting of global standards (Interview 3; Interview 7).

From 2000 to 2010, the relationship between the EU and South Korea was further strengthened, particularly in economic terms, due to the fact that investment and trade between them had grown significantly. More precisely, the EU has become the largest foreign investor in South Korea and the second largest trade partner of South Korea. After about five decades of cooperation, to further promote trade and investment exchanges, the two partners in 2007 started negotiations for an FTA. The EU and South Korea also signed a new political framework agreement in May 2010 to provide a legal framework for further promoting and facilitating collaboration in all aspects of bilateral and global issues, such as politics, culture, education, social affairs and administrative matters, among others (Marx et al., 2013).

In 2010, the bilateral relations between the EU and South Korea transitioned into a strategic partnership supported by three key agreements, which are the Framework Agreement, FTA and Framework Participation Agreement. The bilateral relationship has evolved from an economy-focused, one-sided preferential arrangement to a comprehensive and more equal partnership. While the primary focus has been on economic and political aspects, security cooperation is also essential (Christiansen & Kim, 2023). With South Korea now identified as one of the EU's nine strategic partners, this collaboration has initiated a number of important political, security, and trade agreements. The Pivotal Framework Agreement, implemented in 2014, serves as the foundational framework for EU-South Korea bilateral relations. Furthermore, the EU-South Korea FTA indicates the economic and trade bonds between the two actors, while the Crisis Management Participation Agreement, ratified in 2016, facilitates South Korea's involvement in EU security operations (Chung & Lee, 2019). Freund and Ozden (2008) argue that there is higher motivation for states to act when they are trying to prevent a loss than when they are trying to achieve a gain. IPE scholars have increasingly sought to explain massive trade liberalisation despite the existence of loss aversion. One prominent explanation challenges the connection between loss aversion and protectionism. As far as FTAs are concerned, the growth of these agreements might be seen as a way to avoid a loss, rather than a new gain. In the case of the FTA between the EU and South Korea, this loss avoidance was of crucial importance for the European exporters, as they worried that lacking an FTA would put them at a disadvantage compared to their US rivals, who were anticipating the KORUS FTA's entry into force (Manger, 2009).

### 3.5.1 EU-South Korea FTA

This section explores the EU approach regarding the South Korea FTA within the broader GE context. More importantly, it outlines the negotiations inside the EU and the objectives that shaped the agreement, highlighting the EU's willingness to conclude a more flexible and comprehensive trade arrangement. Notably, this discussion contributes to a clear evaluation of whether the EU behaviour reflected competitive liberalisation with the US or resulted from independent policy factors and drivers.

The FTA with South Korea was the EU's first agreement with an Asian country. Significantly, the 2006 GE strategy marked the EU's first practical transition from multilateralism to the adoption of FTAs (Cooper et al., 2011A). Notably, the EU-South Korea FTA text became a blueprint for later EU trade agreements, given its comprehensive inclusion of issues and its reflection of the EU's high level of strategic ambitions. Moreover, it was the only trade agreement of the EU in Asia until the EU-Japan EPA came into force in 2019. With its FTA with South Korea, the EU established itself in the region as an important trade power (Park, 2017). Notably, EU policymakers did not consider the South Korea FTA as a response to KORUS. According to my interviews, the initiation of the negotiations arose from a reassessment of the EU's trade strategy following the stagnation of multilateral negotiations and increasing pressure from European industry to gain access to other markets. The absence of references to the US strategies and the EU's approach in the negotiation process indicates that the EU acted autonomously (Interview 6; Interview 7).

To contextualise the strategic significance of the EU–South Korea FTA within the broader evolution of the EU's trade policy, it is useful to compare the FTAs signed by both the EU and the US since 2000. The table below outlines the agreements concluded by each actor globally, including those in East Asia, highlighting the different timing and regional focus of their trade strategies and policies.

*Table 1: EU FTAs, 2000-2024*

| **Agreement Name** | **Partner** | **Entry into Force** | **Region** | **Signatory** |
|---|---|---|---|---|
| EU–Mexico Economic Partnership | Mexico | 1 October 2000 | Latin America | EU |
| EU–Morocco Association Agreement | Morocco | 1 March 2000 | Africa | EU |
| EU–Chile Association Agreement | Chile | 1 February 2003 | Latin America | EU |
| EU–South Korea FTA | South Korea | 1 July 2011 | East Asia | EU |
| EU–Colombia/Peru/Ecuador FTA | Colombia, Peru, Ecuador | 1 November 2024 | Latin America | EU |
| EU–Georgia Association Agreement | Georgia | 1 July 2016 | Europe | EU |
| EU–Moldova Association Agreement | Moldova | 1 July 2016 | Europe | EU |
| EU–Ukraine Association Agreement | Ukraine | 1 September 2017 | Europe | EU |
| EU–Japan EPA | Japan | 1 February 2019 | East Asia | EU |
| EU–Singapore FTA | Singapore | 21 November 2019 | Southeast Asia | EU |
| EU–Vietnam FTA | Vietnam | 1 August 2020 | Southeast Asia | EU |
| EU–UK Trade and Cooperation Agreement | United Kingdom | 1 January 2021 | Europe | EU |
| EU–New Zealand FTA | New Zealand | 1 May 2024 | Oceania | EU |

Source: (European Commission, 2025).

*Table 2: US FTAs, 2000-2024*

| Agreement Name | Partner | Entry into Force | Region | Signatory |
|---|---|---|---|---|
| US–Jordan FTA | Jordan | 17 December 2001 | Middle East | US |
| US–Chile FTA | Chile | 1 January 2004 | Latin America | US |
| US–Singapore FTA | Singapore | 1 January 2004 | Southeast Asia | US |
| US–Australia FTA | Australia | 1 January 2005 | Oceania | US |
| US–Morocco FTA | Morocco | 1 January 2006 | Africa | US |
| US–Bahrain FTA | Bahrain | 1 August 2006 | Middle East | US |
| US–Oman FTA | Oman | 1 January 2009 | Middle East | US |
| US–Peru Trade Promotion Agreement | Peru | 1 February 2009 | Latin America | US |
| US–Colombia Trade Promotion Agreement | Colombia | 15 May 2012 | Latin America | US |
| KORUS FTA | South Korea | 15 March 2012 | East Asia | US |
| US–Panama Trade Promotion Agreement | Panama | 31 October 2012 | Latin America | US |
| US–Mexico–Canada Agreement | Mexico, Canada | 1 July 2020 | North America | US |

Source: (USTR, 2024).

The FTA was a major milestone for the bilateral relationship between the EU and South Korea. More importantly, South Korea became an important partner of the EU in East Asia, with the FTA being crucial for South Korea, given the simultaneous FTA negotiations with the US. Significantly, it allowed South Korea to demonstrate that it had other options. As a result, South Korea managed to achieve a form of balancing of economic power in its interactions with the EU and the US (Hilpert & Park 2022). The trade agreement exceeded trade liberalisation, including commitments in various areas, and it served as a blueprint for the EU when it started trade negotiations with other Asian countries, such as Japan, Singapore, and Vietnam. The EU and South Korea have also strengthened their security cooperation over the past decades. This collaboration focuses particularly on non-traditional aspects of security, reflecting the EU's specific capabilities in this area (Christiansen & Kim, 2023).

The EU-South Korea FTA marked the beginning of a new era in the trade relations between the EU and South Korea, being the most visible expression of the GE Communication. "It was widely perceived by EU trade officials as a point of reference for future agreements, particularly as a result of the unprecedented level of liberalisation foreseen in services and investment" (Siles-Brugge, 2011, p. 640). In the 2006 communication "Global Europe: competing in the world", South Korea had already been recognised as a priority partner for the EU FTA negotiations due to its significant market potential, the high protectionist barriers facing EU imports, and its active trade engagements with rivals of the EU. The EU and South Korea began FTA negotiations in 2007, concluding them two years later. The FTA was signed at the EU-South Korea Summit in Brussels in October 2010. It was provisionally applied on 1 July 2011 and formally entered into force on 13 December 2015. This agreement marked the first of a new generation of FTAs, noted for its comprehensive scope and high ambition. Furthermore, the FTA with South Korea is the first agreement that the EU has concluded with an Asian country (European Commission, 2018A). It is worth noting that the agreement sets a new standard for both its comprehensiveness and the speed of trade barrier elimination compared to other existing EU FTAs. More precisely, most customs duties on goods were eliminated upon entry into force of the agreement and on 1 July 2016, all EU customs duties on industrial goods were removed. This accounts for nearly 99% of all duties paid by South Korean exporters before the agreement took effect (Lakatos & Nilsson, 2017).

Despite the fact that some aspects of this FTA are similar to previous FTAs, such as provisions on tariff reduction, other elements of the EU-South Korea FTA break new ground. More specifically, numerous chapters feature provisions that exceed WTO obligations, including specific annexes that address regulatory provisions for electronic goods, pharmaceutical products, medical devices, chemical substances, motor vehicles, and components. These annexes provide in-depth sector-specific provisions on non-tariff barriers (Cooper et al., 2011A). The EU-South Korea FTA also establishes a comprehensive institutional framework to oversee the implementation of the agreement. Specifically, the FTA established a number of committees and working groups which meet regularly in order to provide both parties with the means to discuss and cooperate on issues related to the FTA (European Commission, 2018A). The main objective of the agreement is to establish an FTA for goods, services and corresponding associated rules, liberalising and facilitating trade in goods and services, in compliance with Article XXIV of the GATT and Article V of the General Agreement on Trade in Services (GATS) (Marx et al., 2013).

Upon the conclusion of the transition phase, all imports between the two partners will have been eliminated, addressing substantial non-tariff barriers to trade, with a particular focus on the automotive, pharmaceuticals, medical devices, and electronics sectors. Further to this, the FTA creates new opportunities for market access in services and investments, leading to significant progress in areas such as intellectual property, government procurement and competition policy. In addition, the agreement creates mutual economic advantages for both economies, demonstrating the EU's willingness to engage in business with external partners and its dedication to free trade and open markets (Marx et al., 2013; Cooper et al., 2011A).

Importantly, the EU-South Korea FTA tests the EU's ability to implement advantageous FTAs with economies that have significant non-tariff trade barriers and other less obvious trade barriers, such as anti-competitive practices that restrict access to markets by companies from the other party (European Parliament, 2016). Notably, the EU-South Korea FTA is the clearest manifestation so far of the GE communication. Importantly, GE put emphasis on the negotiation of BTAs containing robust regulatory and services provisions with emerging economies in East Asia. The agreement also focused on the few remaining protected sectors in Europe, aiming for mutual concessions in areas where the EU companies demonstrated high competitiveness. The EU-South Korea FTA effectively secured significant commercial advantages for European service providers and investors in the South Korean market. These gains were balanced by granting significant access to the automobile sector, which was still recovering from the economic crisis at the time the FTA was concluded (Siles-Brugge, 2014).

The EU–South Korea FTA stresses the domestic considerations of trade policy. "The acknowledgement of collective action problems – that the mobilisation of interest groups on an economic policy is more likely based on losses, due to their more concentrated and immediate nature compared to the greater diffusion of and uncertainty regarding the benefits – has meant that trade policymaking has often been seen to be skewed to the advantage of import competitors" (Siles-Brugge, 2014, p. 97). The consensus in the literature in terms of preferential liberalisation has been that this was frequently favoured over multilateral trade-opening because it offered the potential of key market access gains while avoiding the typical concessions that damage import-competing sectors (Siles-Brugge, 2014).It should be noted that the global competition in the Indo-Pacific, a key arena for geopolitical and geoeconomic competition among all the main powers, presents a challenge that affects the EU-South Korea relations. South Korea is strengthening its strategic position by supporting the US and by being willing to cooperate with the US and the Quad nations regarding the Indo-Pacific strategy. The EU also announced its "Strategy for Cooperation in the Indo-Pacific" in September 2021, creating a basis for expanding cooperation between the EU and South Korea. In addition, the EU prioritises contribution to regional stability, conflict prevention, and the peaceful resolution of issues across the Korean Peninsula (Christiansen & Kim, 2023).

Interviews found that both systemic and domestic factors affect the EU trade policy, with the EU's agreements with neighbouring countries being driven by political developmental policy objectives because these were small markets. The near neighbourhood, such as North Africa, was not significant. The EU was more multilateral because of the way it was built up; it is more dependent on a multilateral approach, but things changed after 2001 and especially after 2003 at the Cancun WTO ministerial meeting, as that was the first time that it became clear that China, Brazil and India were going to frustrate the progress on multilateral negotiations. The EU Commission played a critical role; there was a debate between those who were supporting multilateral negotiations and those who were supporting preferential negotiations. Under Mandelson, that shifted more towards a preferential approach, with the GE policy expressing that. Then member states were divided between those who wanted to stick with the efforts of multilateralism and not give up on the Doha agenda, and those who preferred a preferential approach. Then member states came together and were thinking that the shift towards a PTA strategy should be based on the size and importance of markets rather than political developmental objectives (Interview 6; Interview 10). South Korea was a big market and was keen to conclude FTAs. For a long time, South Korea was multilateral and then shifted towards PTAs. The EU shifted towards the GE policy of concluding trade agreements with strategic partners, and then this opened the door to negotiations with MERCOSUR, ASEAN, Japan, the

US, and Canada. The EU's approach towards South Korea can be understood in terms of ensuring that the EU is linked to growth markets. The EU was more willing to be flexible in its FTA with South Korea and other countries than the US, aiming to conclude the agreements efficiently and smoothly (Interview 7; Interview 10).

From an international system perspective, both the KORUS FTA and the EU-South Korea reflect the growing importance of FTAs in the global economy and the rising interdependence among nations through trade and investment. These agreements also indicate the willingness of countries to pursue economic integration and liberalisation despite geopolitical tensions and protectionist pressures (USTR, 2020A; Cooper et al., 2011A). Further to this, they contribute to the stability and future prosperity of the East Asian region by promoting economic growth and cooperation among countries (Smith, El-Anis & Farrands, 2017).

According to my interviews, it was much easier for South Korea and any other country to conclude an FTA with the EU than with the US, as the US Congress insists by law that certain things should be included in every single FTA the US pursues. However, the EU is much more flexible and open to suggestions than the US. Importantly, the similarity of the text on the US FTAs is about 50% the same on all the US FTAs, and it is much more difficult for any country to sign an FTA with the US than with the EU. South Korea was chosen as an individual bilateral FTA because South Korea was open to the idea of doing an FTA with the EU. It was politically much easier for the EU to do an FTA with South Korea because the bandwidth of political issues when dealing with South Korea is more limited than it is when dealing with Japan. As my interviews revealed, for the EU, FTAs are an important part of its trade policies in working with like-minded partners to secure key strategic resources such as raw materials, with FTAs being an instrument that serves a bigger goal, which is to make the EU economically stronger and more independent. Notably, my interviews noted that when advanced economies trade with other advanced economies, the results are better, and the trade implementation is easier. However, when developed countries trade with developing countries, the level of ambition and capacity is different (Interview 18; Interview 20).

The EU has gone through a significant modernisation of its trade agreements, with its FTAs being very advanced and comprehensive, with the US trying to do similar things. However, there are differences between the EU and the US in the design and structure of their FTAs as well as their standards due to their different economic structures, both trying to become global trade setters. Interviews discovered that there is a sequence of FTAs, and one FTA has effects on other trade agreements. Significantly, if a country concludes an FTA with another country, that creates trade diversion effects. If other countries are doing FTAs, those countries that are excluded have an additional motivation to do an FTA as well. Apart from sequencing, there is also bargaining power, and that means that some countries get better agreements than others. If the EU concludes a comprehensive trade agreement, then the US will also try to do a significant trade agreement in order to balance it. There is always a competition for building trading blogs. There is also a factor of prestige and international reputation (Interview 6; Interview 12).

The EU trade policy was primarily commercially oriented, guided by the Commission's negotiating mandate under the Council. Fewer domestic veto players enabled Brussels to pursue longer-term objectives such as regulatory alignment, competition policy, and sustainability. Interview evidence confirms that the EU officials viewed the FTA with South Korea as a mechanism to consolidate economic presence rather than as a strategic instrument (Interview 3). Consequently, while the US strategy was influenced by domestic political contestation, the EU's approach reflected institutional stability and regulatory priorities.

While the analysis of the negotiation timing and strategic drivers explains the external and domestic factors affecting the pursuit of the EU-South Korea and KORUS FTAs, it does not cover the substance of what was agreed. To address this, the following section looks at the legal texts of both agreements by examining their content. More specifically, through a qualitative content analysis of both FTAs, attention is given to the legal architecture, dispute settlement mechanisms, investment provisions, regulatory cooperation, and the treatment of labour, environmental, and IPR. This approach enables a more thorough examination of how the EU and the US converted their institutional frameworks and political-economic objectives into legally binding trade agreements, highlighting both the similarities and differences in their context and structure.

### 3.6 A content analysis of the KORUS and EU-South Korea FTAs

An analysis of the legal texts of the EU-South Korea FTA and the KORUS FTA reveals important differences in structure, language, and emphasis, reflecting the strategic and institutional frameworks of each actor. Despite the fact that both agreements are comprehensive in scope, encompassing goods, services, investment, and regulatory cooperation, an analysis of their legal design and specific provisions reveals divergent priorities. To identify and interpret these differences systematically, a qualitative content analysis of the official legal texts was conducted, focusing on the framing and placement of key provisions related to investment protection, intellectual property, labour and environmental standards, as well as regulatory cooperation.

Notably, the EU-South Korea FTA places significant emphasis on regulatory convergence, sustainable development, and ongoing institutional dialogue. Furthermore, its legal text goes a step further by directly integrating social and environmental clauses into the agreement's core framework. This is further reinforced by a dedicated chapter on trade and sustainable development, which encourages collaboration on employment rights and protection of the environment in compliance with international standards. Importantly, the EU's approach also reflects its commitment to incorporating competition policy into its trade agreements, as indicated by specific provisions addressing state aid, competition policy, and regulatory transparency (European Commission, 2011). As far as the KORUS FTA is concerned, it adopts a more limited approach focused on market access. Its legal text prioritises tariff elimination and investment protections, with limited focus on non-trade issues, although labour and environmental standards are addressed in separate annexes and side agreements. The US places greater emphasis on the protection of IPR. This is reflected in the detailed IPR chapter of the KORUS FTA, which covers patents, copyrights, trademarks, and enforcement mechanisms (USTR, 2012).

These differences can be further explained through an examination of the role played by corporate and sectoral interests in determining the negotiating positions. As Ravenhill (2017) argues in his analysis of the TPP, the US trade policy in the Asia-Pacific region has consistently reflected the preferences of powerful business lobbies. These lobbies, mainly representing pharmaceuticals, finance, and digital services, have advocated IPR protections and investor rights. This corporate-driven model diverges from the EU's more regulatory and governance-oriented approach, where trade agreements serve as instruments for projecting internal regulatory norms abroad, mostly regarding sustainability and competition policy (Cooper et al., 2011A). In the context of the EU–South Korea and KORUS FTAs, this divergence highlights how domestic political institutions and business-state interaction patterns influence the scope, content, and orientation of each agreement.

One of the key differences between the agreements is the approach to handling institutional oversight and dispute resolution. Notably, the EU-South Korea FTA establishes a Joint Committee, supported by subcommittees and working groups, which facilitates political dialogue and implementation. Its dispute settlement mechanism is designed to prioritise resolution through consultation and mediation, and arbitration is only used as a last resort (European Commission, 2011). On the other hand, the KORUS FTA adopts a more enforcement-driven dispute settlement framework, with stricter deadlines and the potential for retaliation if non-compliance occurs, consistent with the US legalistic and binding model of economic diplomacy (USTR, 2012).

This divergence reflects bigger institutional and ideational differences between the EU and the US trade approaches. As Meunier and Nicolaidis (2019) argue, the EU's external trade strategy reflects its internal governance structure, which favours deliberation, the building of consensus, and multi-level institutional engagement. Importantly, the EU's dispute settlement and oversight mechanisms are utilised as tools for the enforcement and integration of broader normative objectives (European Commission, 2018A). On the other hand, the US tends to emphasise contractual clarity and enforceability, rooted in a legalistic tradition that prioritises predictability and compliance (USTR, 2011). These different approaches can also be linked to the domestic political structures of the two actors: the EU, with its emphasis on regulatory politics and stakeholder engagement, and the US, where executive authority and legal enforcement feature more prominently in external economic policymaking (Young, 2015).

Another important legal difference is the treatment of investment and investor-state dispute settlement (ISDS). More precisely, the KORUS FTA contains detailed ISDS provisions that allow the US investors to bring claims directly against the South Korean government, reflecting a long-standing US policy of promoting strong investor protections abroad (Cooper et al., 2011B). On the other hand, the EU-South Korea FTA initially excluded ISDS provisions; instead, investment protection was negotiated separately in subsequent agreements, as the EU's approach to investment policy was still evolving during that period (European Commission, 2018A).

From a legal-linguistic perspective, the US FTA texts are typically more prescriptive and standardised across its trade agreements, a feature that reflects the strong influence of Congress in defining the US trade agenda. This standardisation results in consistent clauses across different trade agreements, which can limit flexibility during the negotiation processes. Interviewees observed that negotiating with the US required rigid legal templates, whereas the EU allowed greater flexibility. The EU’s text with South Korea, while also legally binding, shows greater nuance in phrasing, allowing crucial policy space and flexibility during its implementation. For example, the chapter on sustainable development in the EU-South Korea FTA includes language such as “shall strive to” and “endeavour to cooperate,” when referring to multilateral environmental agreements and International Labour Organisation (ILO) standards (Marin Duran, 2013; European Commission, 2018A). Such formulations differ from the more obligatory tone of the KORUS FTA, which uses stronger terms like “shall ensure” in relation to the enforcement of labour rights (USTR, 2011). This difference is not simply stylistic, but it also reveals underlying political and economic imperatives, particularly the US’s emphasis on enforceable liberalisation versus the EU’s preference for cooperative regulatory frameworks.

In addition, the EU-South Korea FTA includes a “rendezvous clause” which sets the stage for future negotiations concerning sensitive areas such as investor protection and public procurement, reflecting the EU’s incremental and flexible legal approach (European Commission, 2011; European Commission, 2017). On the other hand, the KORUS FTA consolidates the majority of its legal commitments within the initial agreement, emphasising completeness and legal clarity. This clear difference in legal style and sequencing illustrates how the EU's legal structure accommodates political diversity and multi-level governance, whereas the US's approach is rooted in a more hierarchical, contract-based legal tradition (USTR, 2012).

Overall, the legal texts of both FTAs reflect institutional and strategic priorities. Importantly, the US seeks market penetration and investor protection, whereas the EU's agreement is built around economic integration, normative alignment, and cooperative procedures. These legal frameworks not only reflect divergent political and economic objectives but also influence the implementation and interpretation of the agreements. Therefore, the legal text analysis provides an understanding of the formation and implementation of international trade obligations, revealing the fundamental ways in which power, values, and institutions are embedded within legal text. To enhance clarity of the legal and institutional differences between the EU-South Korea and KORUS FTAs, a comparative table is provided below. To be more specific, the table highlights key legal dimensions, including dispute settlement, IPR, regulatory cooperation, legal language, investment protection, sustainable development, competition policy, and legal architecture, showing how different trade governance models are embedded in the legal structure of each agreement (European Commission, 2018A; USTR, 2011).

*Table 3: Legal Features of the EU-South Korea and KORUS FTAs*

| **Legal Dimension** | **EU-South Korea FTA** | **KORUS FTA** |
|---|---|---|
| Dispute Settlement | Emphasises consultation and mediation; cooperative framework | Legalistic model with binding arbitration and retaliation clauses |
| Sustainable Development | Dedicated Trade and Sustainable Development chapter; integrated social and environmental provisions | Labour and environmental standards inside agreements and annexes |
| Legal Language | Flexible and aspirational (e.g. "endeavour to", "shall strive to") | Prescriptive and binding (e.g. "shall ensure") |
| Investment Protection | ISDS not included initially; negotiated separately | Strong ISDS provisions were included from the outset |

| | | |
|---|---|---|
| Regulatory Cooperation | Promotes convergence through institutional dialogue and working groups | Limited emphasis; more sector-specific and enforcement-focused |
| Intellectual Property Rights | Moderate emphasis; aligned with TRIPS and EU norms | High emphasis; detailed enforcement mechanisms across IP domains |
| Competition Policy | Specific provisions on anti-competitive activities to promote cooperation and coordination | Less explicit; focuses more on investor protection |
| Legal Architecture | Incremental and flexible (e.g. rendezvous clauses) | Comprehensive and finalised in a single legal instrument |

Source: (European Commission, 2018A; USTR, 2011).

## 3.7 Conclusion

This chapter provides no compelling evidence of competitive liberalisation or strategic interaction between the EU and the US. There is a coincidence of interest, but underlying this is insufficient actual evidence that the EU and the US are converging or influencing each other's trade strategies. Both actors' trade policies evolved independently in response to internal institutional and domestic political considerations. The simultaneity of their negotiations created the illusion of competitive liberalisation. The US pursued KORUS under a unique post-9/11 configuration of executive dominance and sectoral lobbying convergence, while the EU's FTA with South Korea emerged from its own readjustment of trade policy under GE. Consequently, the case demonstrates that what has often been described as competitive liberalisation was, in reality, a parallel yet largely unconnected trade policy direction. This finding is a central contribution of the chapter and challenges the assumption that the US and EU trade approaches in East Asia are driven by strategic competition.

My research findings indicate that the EU's negotiations with South Korea were independent of changes in the international system. However, it should be noted that these negotiations were driven by domestic factors, and there is little evidence that the South Korean FTA was driven by geopolitical considerations. It should be noted that the KORUS FTA represented an exception, produced by the rare alignment of alliance-related security imperatives with a domestic context unusually open to deep trade liberalisation. Congressional acquiescence in the post-9/11 period, combined with favourable macroeconomic conditions and lobbying support in key sectors, allowed security and economic logics to converge in ways not replicated elsewhere. This explains why South Korea produced a deep FTA, whereas attempts with other partners, such as Japan, failed.

For the US, KORUS was less the result of a long-standing strategy to integrate trade and security imperatives, and more accurately understood as part of a post-9/11 shift under the Bush administration, where trade policy was increasingly used for foreign policy purposes. At the same time, domestic political considerations were of paramount importance. These domestic political considerations were closely linked to the commercial objectives of business actors, particularly through sectoral lobbying on issues such as market access, investment protection, and IPR. However, these interests were filtered through a fragmented institutional structure where congressional oversight and competing domestic constituencies shaped how such priorities were incorporated into the final agreement.

More specifically, congressional divisions, sectoral lobbying from agriculture, pharmaceuticals, and digital services, and the fragmented nature of the US trade governance all constrained and shaped the final content of KORUS. These factors explain both the depth of the South Korea trade agreement and the inconsistency of subsequent US trade initiatives, such as the difficulties encountered with the TPP. In this context, the securitisation of trade emerged not as a response to geopolitical imperatives but as a politically contingent development reflecting the administration's unilateralist attitude and preference for bilateral agreements. For the EU, the primary motivation was the consolidation of its economic presence in a key Asian market, a goal that was consistent with the commercial policy objectives outlined in its GE strategy. Therefore, while the timing of the agreements could be interpreted as a competitive liberalisation factor, a deeper analysis shows that this synchronisation was coincidental, resulting from institutional and domestic political factors specific to each actor.

Although security considerations frame the broader geopolitical context, particularly in East Asia, they do not appear to determine the structure or depth of the trade agreements. This divergence, I argue, is best explained through the interaction of institutional arrangements and domestic factors that varied significantly between the EU and the US, instead of foreign policy or security objectives.

The South Korea case does not present a clear-cut example of strategic rivalry but reveals a nuanced reality of policy divergence occurring under formal convergence. The South Korean case demonstrates that the timing of the KORUS and EU–South Korea FTAs reflected independent approaches rather than competitive liberalisation, emphasising that convergence was more coincidental than strategic. This insight has important implications for the comparative analysis undertaken in the following chapters. More specifically, it offers a baseline for understanding the absence of similar convergence in the cases of Japan and China. If South Korea once appeared as the typical case of competitive liberalisation, the findings here suggest that it is either the exception that proves the rule, or a case in which illusory competitive factors have covered more fundamental patterns of independent trade policy development. This helps to explain the reasons that subsequent divergence between the EU and the US in the cases of Japan and China is less surprising. The empirical analysis of the South Korea case demonstrates the value of an analytical framework that integrates systemic and domestic explanations. While system-level factors, including alliance-building and wider changes in the international trade environment as well as the rapid growth of PTAs, provide an important background, they do not fully explain the timing, scope, and rationales of the EU and US FTAs with South Korea. Liberal institutionalism is useful in explaining differences in negotiations and institutional flexibility, particularly in the EU case, but it offers a limited understanding of why full FTAs by both actors were feasible in the case of South Korea. Significantly, the empirical findings of this chapter demonstrate the importance of domestic political institutions, interest group mobilisation, and policy ideas in determining the US and the EU FTA negotiations with South Korea, consistent with domestic-level approaches in IPE.

Thus, the case of South Korea may be better understood not as evidence of competitive liberalisation, but rather as an illusion of competitive interaction, a case where domestic factors and historical context generated parallel outcomes independently. Systemic pressures and influences were shaping the pace of the negotiations, but there is no direct evidence that the EU and the US are converging in any strategic way. In the US case, the rare convergence of post-9/11 security imperatives with a favourable domestic political economy context produced the exceptional depth of the KORUS, while in the EU case, the GE strategy converted into a commercially focused FTA.

The South Korea chapter lays the essential foundation for the subsequent chapter, which extends the comparative framework by examining the EU–Japan EPA and the trajectory of US–Japan trade relations and agreements. Although the South Korean case suggested at least a degree of simultaneity, the Japan chapter demonstrates how domestic political constraints, institutional structures, and well-established economic relations produced a more noticeable divergence in terms of the trade approach and outcome. Transitioning from the South Korea case study to that of Japan highlights the thesis's comparative rationale, illustrating how similar systemic factors can lead to diverse policy outcomes when processed through different domestic contexts.

# Chapter 4: Japan: Domestic Constraints and Strategic Divergence in the US and EU Trade Policy

## 4.1 Introduction

This chapter aims to analyse and explore the extent to which the interplay between strategic competition determined the EU and the US negotiations in terms of their trade negotiations with Japan, or whether strategic competition was a significant factor at all. While systemic competition and broader geopolitical tensions influenced elements of both actors' trade policies, a critical investigation is required to determine if their trade approaches towards Japan were influenced by direct competition or were instead motivated by domestic considerations, existing trade policy directions, and regional strategic priorities. Accordingly, this chapter examines the degree of convergence and divergence in the EU and the US trade strategies and negotiations with Japan. This chapter analyses the EU and the US trade agreements with Japan using the same integrated theoretical framework developed in the thesis, combining system-level and domestic-level theories from IPE.

The Japan chapter builds upon the analysis of the EU and US trade agreements with South Korea, which showed that the agreements, which I concluded, were driven by independent factors, with the US approach influenced mainly by domestic political considerations and the EU motivated primarily by market access and commercial objectives. While the literature often presents South Korea as a clear case of competitive liberalisation, my findings suggest this may reflect a coincidence rather than a strategic interaction and convergence between the US and the EU trade policies and strategies. This reinterpretation of the South Korea case provides a useful point of contrast with Japan, where divergence in both form and timing is even more apparent.

Although in the case of South Korea, the EU and the US trade strategies and policies were mainly independent from each other in terms of interests and strategic priorities, they converged in one important area. More specifically, both were comprehensive 'WTO-plus' agreements. In the case of Japan, however, the analysis needs to explain not only a divergence in interests and strategic priorities but also a divergence in the form of the trade agreements.

Why did the EU complete a full trade agreement while the US retreated to a less ambitious and comprehensive agreement, despite closer relations with Japan and with the same security imperatives present as in the case of South Korea? Addressing this question requires a comparative analysis of negotiation processes, legal provisions, and the geopolitical context influencing these agreements. In order to explain the divergence in the trade policies and strategies adopted by the US and the EU towards Japan, an analysis that goes beyond just geopolitical and economic priorities is required. It is equally important to examine the domestic institutional structures that drive trade policymaking, including legislative-executive relations, the influence of bureaucratic agencies, and the integration of sectoral and member-state interests.

While the South Korea case study demonstrated a degree of alignment between the US and the EU in their bilateral trade negotiations, the Japan case study reveals a fundamentally different pattern of trade policy choices. The EU pursued a comprehensive, legally binding trade agreement through the EU-Japan EPA, reinforcing its commitment to regulatory alignment and long-term economic cooperation (Yoshimatsu, 2020). On the other hand, the US, after its withdrawal from the TPP, chose to negotiate narrower, sector-specific agreements with Japan, prioritising targeted economic interests over a comprehensive and ambitious FTA (Walter, 2022). This divergence in trade policy reflects the fact that the EU followed a consistent FTA template, whereas the US did not. The distinct trajectories in the Japan case reflect an interaction between domestic political constraints and international system pressures. Despite the pre-existing US-Japan relationship, domestic institutional constraints in the US, combined with changes in the international system, made a comprehensive FTA with Japan unlikely.

These differences are shaped by domestic institutional structures. As we saw in the previous chapter, in the US, Congress acts as a powerful veto player, defining the formal negotiating objectives. The Executive Branch and USTR operate within these constraints, while interest groups and sectoral lobbies are key drivers that exert a strong influence on the final policy outcomes (Kim, Pyo & Wood, 2018). Within the EU, trade policy is coordinated through the European Commission, which functions as an agent for member states under the oversight of the Council. Meanwhile, the European Parliament provides consent, and sectoral interests are mediated through established consultation mechanisms (Da Conceicao, 2010). Through the examination of the legal and institutional dimensions of the US-Japan and EU-Japan trade agreements, this chapter contributes to an understanding of the systemic and domestic factors driving the EU and the US trade policy in East Asia.

It should be noted that while the literature has often interpreted the EU and the US FTAs with South Korea as the result of competitive liberalisation, evidence from the South Korea chapter suggests that this was not the case. The EU and the US agreements were independently driven. The US trade policy was shaped by domestic political and sectoral considerations, while the EU pursued commercial objectives without engaging in strategic competition. The near-simultaneous conclusion of the FTAs suggests coincidence rather than evidence of strategic interaction and competition. This challenges the assumption that similar patterns of strategic interaction and competitive liberalisation underpinned their engagement with Japan. The EU-Japan EPA follows the EU's established template for comprehensive FTAs, confirming a broader and standardised bilateral strategy. On the other hand, the US pursued a limited bilateral agreement with Japan that lacked key legal instruments such as a formal dispute settlement mechanism and did not match the ambition of its FTA with South Korea (Sonali, Gabriel, & Toshihiro, 2019).

This chapter first examines the broader direction of the EU–Japan trade relations and the EU-Japan EPA. Then, it analyses the evolution of the US–Japan trade agreements, the role of the TPP, and the domestic constraints influencing the US trade approaches. This is followed by a content analysis of the agreements, which provides empirical grounding before concluding with a comparative assessment of the US and the EU approaches towards Japan and their implications for understanding trade policymaking in East Asia.

## 4.2 EU-Japan Trade Relations

The section provides an overview of the EU-Japan trade relations, which are vital for clarifying the structural and policy foundations that led to the EU-Japan EPA. Unlike the US, which has historically engaged Japan through regional or ad hoc trade arrangements, the EU's trade policy was influenced by its commitment to multilateralism and regulatory alignment. Importantly, understanding this context explains the EU's decision to pursue a comprehensive FTA with Japan at a time when the US was moving away from such agreements. This section, therefore, establishes the context for analysing the EU's approach, demonstrating the influence of institutional continuity and economic strategy on its negotiations and trade agreement with Japan.

The EU and the US have historically maintained strong relationships with Japan, driven by their respective economic priorities, geopolitical strategies, and institutional frameworks. Significantly, the EU's relationship with Japan is defined by a mutual commitment to multilateralism and liberal trade norms. However, the decision to sign a bilateral agreement rather than relying solely on multilateral frameworks stemmed from the stagnation of WTO-led trade liberalisation, the rise of protectionism, the need for both parties to secure preferential market access amid global economic and political uncertainty and the unpredictability of the external policy of the US. The EU-Japan EPA allowed the EU to reinforce its trade policy objectives in a strategic partnership with Japan while maintaining its broader commitment to multilateralism by embedding WTO-consistent provisions and promoting regulatory convergence beyond the bilateral scope (Grubler, Reiter, & Stehrer, 2021; Berkofsky et al., 2019).

Unlike the US-Japan trade relationship, the EU's trade engagement with Japan was historically more limited. While Japan was a key trading partner for several individual European countries, no comprehensive trade agreement existed between Japan and the EEC throughout the 20th century. Instead, economic relations were defined by non-binding frameworks, such as the 1991 Joint Declaration on Trade and Economic Relations and the 2001 EU-Japan Action Plan, which primarily focused on regulatory cooperation rather than market liberalisation (Gilson, 2016). The stagnation of the WTO negotiations in the early 2000s and Japan's growing interest in FTAs led to renewed EU-Japan trade negotiations. The EU-Japan EPA was signed in 2018, marking a fundamental shift in their trade relations. In contrast to the fragmented and sectoral US-Japan trade agreements, the EPA was a comprehensive trade deal, covering extensive tariff reductions, regulatory alignment, and detailed provisions on investment and services (Meunier & Nicolaïdis, 2023).

The negotiations for the EU-Japan EPA commenced in 2013, in the context of Japan's increasing engagement with bilateral FTAs and the EU's efforts to diversify trade partners as the US-China tensions escalated. Unlike the US approach, the EU's primary motivation was to enhance regulatory cooperation, remove non-tariff barriers, and strengthen economic integration with Japan (Sonali, Gabriel, & Toshihiro, 2019). The EPA was developed as part of the EU's broader GE trade strategy, which aimed to strengthen economic relations with ideologically aligned partners while advancing sustainability, labour rights, and regulatory alignment (Cooper et al., 2011A). As Japan had historically been a difficult market for European exporters due to regulatory barriers and standards misalignment, the EU prioritised deep regulatory cooperation rather than focusing solely on tariff reductions (European Parliament, 2018).

The partnership was established through agreements such as the 1991 Joint Declaration and the 2001 Action Plan, which emphasised economic cooperation, political dialogue, and a joint approach on global governance issues. These agreements established the foundation for the EU-Japan EPA, as both parties attempted to support a rules-based trading system amidst the rise of protectionism around the world. This alignment with liberal institutionalist principles highlights the EU's normative approach to fostering economic interdependence and promoting regulatory harmonisation, especially in areas such as environmental standards and digital trade (Hook et al., 2012).

The EU attempted to align Japanese regulations with European standards in sectors such as automobiles, pharmaceuticals, and food safety. The EU prioritised eliminating tariffs on industrial goods, particularly automobiles and machinery, which had previously faced high barriers in Japan (Gilson, 2016). Unlike the US-Japan Trade Agreement (USJTA), the EPA included a binding dispute settlement system, making it more enforceable under international trade law. The EU-Japan EPA represents a comprehensive trade agreement covering a wide range of sectors and regulatory cooperation, leading to significant increases in both goods and services trade. In contrast, the US-Japan Trade Agreements are more limited in focus, targeting specific sectors without establishing a full FTA framework. This difference in scope is reflected in the trade volumes and the nature of economic engagement between Japan and its Western partners (European Commission, 2018B).

The approaches of the US and EU towards trade negotiations with Japan reflect their positions and strategies within the international system. From a realist perspective, the US's limited agreements with Japan underscore a pragmatic prioritisation of domestic economic and strategic objectives. By focusing narrowly on sectors like agriculture and digital trade, the US leveraged its bargaining power to secure immediate benefits, without committing to a comprehensive agreement that could dilute its control or impose significant domestic adjustments. This bilateral approach aligns with the US's broader resistance to multilateralism under the Trump administration, reflecting a realist scepticism towards institutional constraints. In contrast, the EU's EPA with Japan aligns with liberal institutionalist principles, emphasising long-term interdependence and regulatory harmonisation. By embedding rules on sustainability, intellectual property, and mutual recognition of standards, the EU positioned itself as a rule-shaper in the international economic order, leveraging trade agreements to promote global governance (Meunier & Nicolaïdis, 2023).

### 4.2.1 EU-Japan EPA

The EU and Japan initiated formal negotiations for the EPA in April 2013, aiming to enhance economic cooperation and reduce trade barriers between two of the world's largest economies. The negotiations took longer than expected, and after 18 rounds of negotiations, an agreement was reached in July 2017. The agreement was officially signed in July 2018 and entered into force on 1 February 2019 (Yoshimatsu, 2020). Since the EPA's implementation, bilateral trade between the EU and Japan has experienced significant growth. More specifically, in 2023, trade in goods reached €134 billion, marking a 7% increase compared to about €125 billion in 2019. Trade in services also saw a substantial rise, amounting to €54.2 billion in 2023, a 14.3% increase from €47 billion in 2019. Notably, the EU enjoyed a surplus of about €12 billion in total trade with Japan during this period, driven primarily by an €18 billion surplus in services (European Commission, 2019A).

The EU-Japan EPA is one of the most ambitious bilateral trade deals ever concluded by the EU. Beyond tariff reductions, it introduced comprehensive regulatory alignment in areas such as public procurement, IPR, and food safety standards. In addition, the agreement incorporated chapters dedicated to sustainable development, committing both parties to uphold the Paris Agreement on climate change and fostering cooperation on labour standards. Significantly, this inclusion reflects the EU's strategic objective to leverage trade agreements as instruments of global norm-setting, which differentiates its approach from more conventional trade deals (Suzuki, 2017). By creating a framework for regulatory cooperation, the EPA intends to facilitate trade and enhance the EU's position as a global regulatory actor. However, the extent to which it achieves this remains subject to further analysis.

The European Commission, under the leadership of Cecilia Malmström, played a central role in coordinating the EU's negotiation strategy. The Commission's Directorate-General for Trade acted as the primary negotiator, leveraging its mandate to articulate a unified position for the 28 member states. This institutional framework reflects the EU's trade-policy making structures, where the Commission holds exclusive competence under the Treaties, ensuring that trade negotiations are relatively insulated from short-term political pressures or shifts in public opinion. By centralising authority in the Directorate-General for Trade (DG Trade), supported by Council mandates and European Parliament ratification, the EU can sustain a degree of continuity and coherence in external trade policy that diverges from the more volatile executive-legislative approach observed in the US (Meunier, 2005). This institutional cohesion allowed the EU to push for regulatory convergence in areas such as data protection, labour standards, and environmental sustainability (Okano-Heijmans & Terada, 2018). On the Japanese side, the Ministry of Foreign Affairs (MOFA) and the Ministry of Economy, Trade, and Industry (METI) were key actors. These ministries balanced the need to address domestic concerns, such as agricultural protectionism championed by Japan's Central Union of Agricultural Cooperatives (JA-Zenchu), with the imperative to enhance Japan's integration into global value chains (Urata, 2021). The negotiation process for the EU-Japan EPA involved intense deliberations over sensitive sectors. The EU's emphasis on opening Japan's agricultural market, particularly for dairy and meat products, met significant resistance due to Japan's entrenched protectionist policies. However, compromises were eventually reached through a phased reduction of tariffs and the inclusion of safeguard mechanisms (Cristobal, 2021).

Japan shares strategic interests with both the US and the EU, particularly in terms of security, being a key ally for both powers. Japan's suspicions of China, combined with its extensive investments in security, highlight the importance of its partnership with the US, which provides critical security guarantees. On the other hand, Japan does not view the EU as a security partner but instead as an essential economic counterpart. From Japan's perspective, the EU offers potential benefits in mitigating some of the effects of the region's security competition, particularly with China. Significantly, Japan recognises the EU's role as an important economic power, capable of providing both stability and economic opportunities. The EU, in turn, has accepted this role, leveraging its economic influence to advance relations with Japan and support its strategic objectives (Interview 4).

For the EU, the agreement focused less on direct strategic competition and more on commercial benefits, such as tariff reductions, improved market access, and greater regulatory coherence. These economic outcomes were intended to boost trade flows, reduce barriers, and enhance the competitiveness of the EU industries in Japan's market. While strategic competition was not the main driver for the EU, the negotiation of the EPA acquired a systemic dimension. The Commission increasingly framed the agreement as part of its rules-based trade diplomacy, particularly after the 2016 EU Global Strategy and the 2015 "Trade for All" strategy, both of which emphasised the role of trade in promoting liberal order and balancing against protectionist pressures (European Commission, 2015).

In recent years, systemic factors have begun to play a more influential role in the EU's strategy and policy regarding East Asia. For instance, the EU's Indo-Pacific Strategy situated the EPA as a pillar of the EU's presence in Asia, connecting economic agreements to geopolitical objectives such as diversifying away from over-dependence on China and strengthening strategic partnerships with like-minded states. This illustrates that although the EPA was negotiated primarily as a commercial project, its significance has since been reinterpreted within a broader geopolitical narrative. The domino effect is particularly relevant here. Recognising the potential competitive disadvantage posed by the EU-Japan EPA, the US pursued its own trade agreement with Japan to prevent the loss of market share and ensure that the US exports remained competitive (Interview 4).

The EU's trade policy combines intergovernmental and institutional mechanisms, with the European Commission acting as the agent of member states, negotiating under mandates defined by the Council of Ministers, which provides oversight and sets negotiating objectives (Da Conceicao, 2010; Meunier, 2005). The European Parliament exercises formal consent powers during ratification, while committees such as the Article 133 Committee and the Special Committee on Agriculture allow member states to monitor negotiations. Sectoral interests and civil society actors are integrated through consultation procedures, ensuring that trade agreements reflect both EU-level priorities and the diverse preferences of member states (Wallace, Wallace and Pollack, 2005). This institutional structure affects the scope, content, and timing of the EU trade policy, enabling comprehensive agreements such as the EU-Japan EPA while requiring alignment among multiple domestic and supranational actors.

## 4.3 US-Japan Trade Relations

### 4.3.1 Introduction – Historical Background

The section of the chapter provides some background on the US-Japan trade relations, which is necessary for understanding the direction of the US trade policy in East Asia. By examining past approaches, including the role of APEC, bilateral trade tensions, and the shift from regional frameworks like the TPP to the USJTA, this section highlights the evolution of the US priorities. Significantly, it explains the reasons the US opted for regional engagement under Obama but reverted to bilateralism under Trump, illustrating a broader pattern of the US trade strategy in East Asia. This background is crucial for framing the divergence observed between the US and the EU approaches and setting up the chapter's analysis of how systemic and domestic factors influenced the US decision-making process.

Historically, US-Japan trade relations were characterised by bilateral economic dialogues rather than formalised FTAs. During the 1980s and 1990s, the US trade policy towards Japan was shaped by managed trade agreements, such as the Structural Impediments Initiative (SII) and Voluntary Export Restraints (VERs) on automobiles and semiconductors (Schoppa, 1997). However, these negotiations did not lead to a comprehensive FTA. The APEC, established in

1989, was the first multilateral initiative in which both Japan and the US participated. APEC initially brought together 12 Pacific countries, including the US, Japan, Australia, and several ASEAN states, aiming to foster open regionalism and promote trade and investment liberalisation across the Asia-Pacific. Under the Clinton administration, APEC was framed as a strategic counterweight to ASEAN-led initiatives, reflecting Washington's ambition to shape regional economic governance in a way that complemented its broader liberalisation agenda and maintain the US presence and leadership in the Asia Pacific region. APEC was frequently described as having "mega-regional" aspirations because it attempted to connect diverse economies across the Pacific rather than operate as a narrowly defined regional bloc (Ravenhill, 2009; Ravenhill, 2020).

However, APEC remained a non-binding forum rather than a platform for legally enforceable agreements. The Bogor Goals of 1994 set ambitious trade liberalisation targets, but divergent economic interests among members limited their effectiveness. The failure of the US-Japan FTA negotiations in the early 2000s further underscores why the US initially preferred a regional approach (TPP) rather than a bilateral FTA. The TPP was designed to align US-Japan trade within a broader regional framework, mitigating bilateral trade frictions while creating a US-led trade bloc in the Asia-Pacific (Petri & Plummer, 2016). In contrast, after withdrawing from the TPP, the Trump administration reverted to the traditional US approach of bilateral, issue-specific agreements, as seen in the USJTA of 2019, which covered only digital trade and agriculture (USTR, 2019A).

The trade relationship between the US and Japan has historically been characterised by periods of economic cooperation and intense trade frictions. Throughout the 1970s and 1980s, Japan's export-led economic model led to significant trade imbalances with the US, particularly in sectors such as automobiles and electronics (Bergsten and Noland, 1993). The US responded by pressuring Japan into voluntary export restraints and sector-specific trade agreements, such as the 1981 Voluntary Restraint Agreement on Automobiles and the 1986 Semiconductor Agreement (Destler, 1995).

During the 1990s, Japan's economic slowdown and the decline of US economic nationalism under the Clinton administration led to a shift in trade relations, with greater emphasis on sectoral trade agreements and multilateral engagement within the WTO and APEC (Schoppa, 1997). However, by the 2010s, the US-Japan trade relations were again redefined, particularly during the negotiations for the TPP. Japan joined the TPP negotiations in 2013, seeking deeper integration into regional trade networks, while the US viewed the TPP as a way of countering China's growing economic influence in Asia. The US withdrawal from the TPP in 2017, under the Trump administration, marked a significant turning point, although it was not yet ratified, and instead of pursuing a comprehensive FTA, the US and Japan negotiated a limited bilateral trade agreement in 2019. This agreement, however, lacked key elements of a full FTA, such as provisions on investment and dispute settlement mechanisms (Cohn & Hira, 2020).

As a leading member of the G7 and one of the most industrialised economies in the world, Japan's role is very important for promoting values such as democracy and the rule of law. Its leadership in influencing economic principles and global norms complements the US efforts to sustain and defend these principles in a complex geopolitical environment. Moreover, Japan is a stabilising force that aligns with the US priorities in terms of security and economic policy. For the US, leveraging Japan's expertise and relationships in East Asia, as well as its influence in multilateral forums, is essential for tackling contemporary challenges, including the rise of China and the evolving interaction of international trade and security (Interview 11).

Building on my previous point, Japan's security is almost entirely dependent on the US, with approximately 50,000 US troops in the area. This alliance is not only crucial for maintaining regional stability but also constitutes a key component of the broader liberal international order. As Japan's role in global security expands, its partnership with the US has evolved to cover both security and economic aspects (Interview 11). However, this relationship is complicated by Japan's economic relations with China. Significantly, Japan maintains strong economic relations with China, which sometimes leads it to push back against the US trade policies, such as export controls and sanctions. More specifically, in 2022, Japan's exports of goods to China were worth approximately $145 billion, constituting about 20% of its total exports, while exports to the US totalled about $140 billion, accounting for over 18% of the total (World Bank, 2022).

Japan plays a crucial role in moderating the protectionist elements of the US trade policy, acting as both an ally to the US and a pragmatic economic actor in the region (Interview 9). Despite the fact that interviewees frequently presented Japan in this way, Japan's strategic positioning is less about moderating the US behaviour and more about managing its own exposure to economic risk, particularly in sectors heavily reliant on Chinese demand. Significantly, this approach reflects Japan's strategic considerations, aligning with the US on security while ensuring economic flexibility in a region where China remains its largest trading partner (Sahashi, 2020).

In the early stages of the US's pursuit of trade agreements in Asia, mainly from the 1990s to the early 2000s, domestic politics had a more important influence than often assumed. As discussed in section 3.3 of the South Korea chapter on the US and EU trade policymaking institutions, the fragmented nature of the US trade policy process, split between Congress and the executive, made continuity difficult and left trade liberalisation vulnerable to shifts in domestic political factors. For instance, under Clinton, no new FTAs were concluded after NAFTA, apart from Chile. Under Bush, trade promotion authority was only renewed in 2002 in the context of post-9/11, allowing the negotiation of several bilateral agreements. The Obama administration later revived trade liberalisation through the TPP initiative, but domestic opposition in Congress limited its ability to conclude the agreement. The US objective was to foster economic growth in East Asia and secure more access to the region's emerging markets, with Japan being a crucial player in this strategy. However, domestic resistance to trade intensified, and Trump's protectionist approach was less an individual departure and more a reflection of deeper domestic constraints (Interview 9; Interview 18; Interview 20).

Some of the protectionist policies from the Trump administration, specifically the tariffs on China, were maintained under the Biden administration. However, Biden's administration attempted to re-engage strategically with Asia. The emphasis is now more on the political aspects of trade, with less focus on economic liberalisation and more focus on balancing political relations and regional power dynamics. Biden's administration focused on economic engagement through initiatives like the Indo-Pacific Economic Framework (IPEF), which emphasised cooperation on supply chains, digital trade, and sustainability (Schoenbaum, 2023). This reflects a wider move where economic strategy, rather than trade liberalisation, became a key tool for the US engagement in the region, with the US being more concerned with the political implications of trade agreements (Interview 2; Interview 17; Interview 18).

### 4.3.2 TPP and CPTPP

The US spent about ten years working with Japan on the TPP, but it was already politically vulnerable under the Obama administration, highlighting the constraints of the US trade policy that flow from its domestic structures. The US decided not to push for ratification before the 2016 election, reflecting the toxic domestic politics of trade in the US, the increasing influence of anti-globalisation feeling, and bipartisan resistance in Congress (Solis, 2017). However, the Trump administration's withdrawal from TPP illustrated a significant move in the US trade policy, prioritising BTAs over multilateral agreements. It should be noted that the Trump administration's rejection of the TPP was also maintained by the Biden administration. Due to the US withdrawal, Japan assumed a leadership role in reshaping the agreement, resulting in the CPTPP, which includes 11 countries. Japan's leadership in this case was driven by both economic and strategic incentives. Economically, the CPTPP allowed Japan to maintain access to regional markets and strategically, it helped prevent China from dominating regional trade rules in the absence of US leadership. Despite the US withdrawal, Japan has continued to advocate for the US participation, recognising that the US engagement remains critical for regional trade stability (Interview 18).

There remains a strong hope that the US will eventually return to the agreement. Notably, when Japan and the other countries renegotiated the deal due to the US withdrawal, they chose to suspend, rather than permanently remove certain provisions that had been included at the US's insistence, particularly in areas such as intellectual property and investor-state dispute settlement. This decision kept the agreement structurally identical to the original TPP, ensuring that a future US administration could rejoin without requiring a full renegotiation. However, indications from Washington suggest that this is unlikely in the foreseeable future, as neither political party in the US currently demonstrates enthusiasm for trade promotion. Despite this, Japan continues to remind the US of the necessity to remain engaged in East Asia, both in terms of security commitments and trade relations. For instance, Japan has repeatedly stressed the role of the US economic leadership in the region during bilateral summits and multilateral forums such as APEC and the G7. Further to this, Japan played an important role in launching the IPEF, a US-led initiative aimed at strengthening regional economic ties (Interview 17; Interview 18).

According to Alle and Lugg (2016), the TPP template remains a US framework even though the US is not a party to it. The language in the TPP comes disproportionately from other US trade agreements, with the contents of the most controversial chapters in the TPP drawing mainly from US PTAs and FTAs. More precisely, the ten most similar trade agreements include the US, highlighting the strong US influence in writing the agreement. Importantly, the US content is mainly dominant in the political and economic interests that are of paramount importance for the US. With the exception of the suspended provisions, the CPTPP text is identical to the TPP. Notably, this illustrates the US effort to change trade cooperation away from the WTO to a venue where it can effectively write the trade rules for the future (Alle & Lugg, 2016). This is a good illustration that the US-Japan relations cannot be understood as 'strategic' within the wider TPP context, representing a compromise between strategic interests and domestic constraints. Significantly, the US engagement reflected a negotiated balance between long-term strategic ambitions to shape regional trade rules and the domestic political constraints that limited Washington’s ability to pursue a comprehensive FTA with Japan.

Initially, the TPP was regarded as a regional economic integration initiative, evolving from the Trans-Pacific Strategic Economic Partnership Agreement (TPSEP) of 2005, which included Brunei, Chile, New Zealand, and Singapore. The US, due to its capability to serve as a geopolitical counterweight to China’s rapid growth, joined negotiations in 2008, expanding the agreement to include other countries such as Australia, Canada, Japan, Malaysia, Mexico, Peru, and Vietnam. Notably, the fact that Japan entered negotiations in 2013 was significant, as this was a shift in its trade policy towards regional integration rather than bilateralism (Petri & Plummer, 2016).The TPP was designed as a high-standard, regional trade agreement encompassing 12 economies, aiming to establish new rules on digital trade, intellectual property, state-owned enterprises (SOEs), and regulatory coherence. It should be noted that the TPP was initially designed to be the focus of the US's trade engagement in the Asia-Pacific region, with Japan's participation secured under the Obama administration. Importantly, the agreement represented a shift from a reliance on bilateral trade deals to the use of a wide regional framework focused on setting high-standard trade rules across multiple economies (Rogowsky & Horlick, 2014). However, the decision not to seek ratification before the end of Obama's term and the subsequent withdrawal by the Trump administration in 2017 fundamentally changed the US trade policy. Obama refrained from pushing for ratification because domestic political conditions had already turned severely against trade liberalisation. This shift also highlighted how domestic political divisions within the US Congress constrained trade policy continuity, despite the broader objective of maintaining economic leadership in Asia. The controversy over NAFTA, the divisive debate over KORUS, and the erosion of bipartisan support for fast-track authority meant that attempting to secure Congressional approval in an election year posed considerable political risks. Both Hillary Clinton and Donald Trump opposed the TPP during the 2016 presidential campaign, indicating that ratification would be politically untenable. Unlike the EU, which maintained its commitment to comprehensive bilateral trade agreements, the US turned towards limited scope agreements, resulting in the USJTA, which covered only a limited portion of the trade areas intended under the TPP (Williams, Cimino-Isaacs & Regmi, 2019).

The outcome of the TPP underscores the volatile trajectory of the US trade policy, revealing its tendency between regionalism and bilateralism based on changes in political leadership and strategic priorities. More specifically, earlier experiences with NAFTA and the collapse of the Free Trade of the Americas (FTAA) had already created scepticism about multilateral or mega-regional agreements, with the US withdrawal from TPP entrenching this shift in trade policy. Importantly, rather than defaulting to an earlier bilateral approach, domestic criticism against comprehensive liberalisation pushed the US policymakers towards more limited, issue-specific trade agreements, demonstrated by the USJTA, which reflects a retreat from full FTAs rather than a return to prior bilateralism (Interview 9).

The US trade policy loss of momentum after the KORUS FTA is related to domestic resistance regarding trade liberalisation. The ratification of KORUS was politically tense, facing delays in Congress and criticism from labour unions and divisions of the manufacturing sector. This highlighted the broken relationship between the executive and the legislature over trade authority, with Congress being reluctant to grant TPA for further ambitious trade agreements. The consequences of pursuing comprehensive liberalisation became evident under Obama, as support for trade collapsed within key constituencies of the Democratic Party, while Republicans were divided between pro-business advocates and protectionists (Lovett, Eckes & Brinkman, 2015). The TPP negotiations uncovered the weakened domestic foundations of the US trade policy. While the administration attempted to secure American leadership in Asia through a mega-regional deal, the absence of bipartisan support meant ratification was politically unfeasible even before the Trump election.

In the US, growing congressional scepticism towards trade liberalisation, intensified by electoral pressures and protectionist rhetoric, constrained the administration's capacity to pursue another bilateral FTA on the scale of KORUS. The TPP, therefore, served as a politically viable alternative, allowing the Obama administration to frame liberalisation as a regional initiative with strategic benefits rather than a bilateral compromise. On the other hand, the EU's trade policymaking process, centred in the European Commission and relatively insulated from short-term political cycles, enabled greater continuity and autonomy. DG Trade's technocratic mandate facilitated the negotiation of the EU–Japan EPA to reinforce the EU's economic and normative influence in Asia. It should be noted that the pace of the EU trade activism slowed to a trickle after 2008, hence the gap between the EU-South Korea and EU-Japan trade agreements.

### 4.3.3 USJTA

The US began trade negotiations with Japan after a period of trade imbalances and sectoral disputes, particularly in the automotive and agricultural sectors. The USJTA was a limited agreement, designed to provide quick economic wins for both sides while avoiding politically sensitive issues such as investment protections and dispute resolution mechanisms. The USJTA negotiations were mainly shaped by the America First trade policy under the Trump administration. The US prioritised sectoral agreements, focusing on agriculture and digital trade while leaving manufacturing and investment provisions for future negotiations. The USJTA is different from traditional US FTAs as it does not include a formal dispute resolution process. The US-Japan agreement focused on short-term economic benefits and strategic alignment, representing a divergence from the EU-Japan EPA (Interview 4).

More specifically, the agreement focused mainly on expanding market access for the US agricultural exports and setting digital trade rules, leaving broader issues such as automotive tariffs unaddressed. This limited scope highlights the limitation of domestic political polarisation in the US, where comprehensive trade deals face bipartisan opposition. The bilateral focus of the USJTA diverges significantly from the multilateral strategy adopted by the EU (Williams, Cimini-Isaacs & Regmi, 2019). While the EU's EPA aims to integrate Japan into a wider liberal trade order, the USJTA indicates a realist orientation, prioritising immediate economic benefits and strategic influence rather than long-term institution-building. Most importantly, this divergence underscores the systemic pressures influencing the US trade policy, particularly its shift from multilateralism under the Trump administration. Further to this, it draws attention to unit-level factors, such as domestic political fragmentation and the preference for immediate economic wins, which limit the US's ability to successfully conclude comprehensive trade agreements (Krasner, 1976).

The US and Japan commenced trade negotiations on 26 September 2018, focusing on improving market access and addressing trade imbalances. Formal negotiations began in April 2019, leading to the signing of two agreements on 7 October 2019, the USJTA and the US-Japan Digital Trade Agreement (USJDTA) (USTR, 2019A). These agreements came into effect on 1 January 2020. Unlike the EU-Japan EPA, the US-Japan agreements are more limited in scope. More specifically, the USJTA mainly focused on reducing tariffs on agricultural and industrial goods, with Japan agreeing to lower tariffs on products like beef, pork, and wheat, while the US provided reciprocal concessions on certain Japanese industrial goods. However, the agreement did not address key sectors such as automobiles, which remained a point of contention (USTR, 2019A). In contrast, the USJDTA built upon provisions from the CPTPP, ensuring high-standard rules for cross-border data flows, prohibiting data localisation requirements, and protecting source codes and encryption technologies (Solis, 2021).

In terms of trade volumes, Japan plays a crucial role as a trading partner for the US. More specifically, in 2024, the value of US goods exported to Japan was around $79 billion, while imports from Japan reached about $148 billion, leading to a trade deficit of approximately $69 billion (United States Census Bureau, 2024). Although the USJTA and USJDTA are more limited in scope compared to the EU-Japan EPA, they reflect the US's strategic shift in its trade objectives. Importantly, the agreements aimed to solve major imbalances in agricultural and industrial trade, with an emphasis on immediate benefits rather than comprehensive liberalisation (Schneider-Petsinger, 2020). For example, the USJTA resulted in Japan reducing tariffs on $7.2 billion worth of American agricultural products, including beef, pork, and wheat, bringing Japan's treatment of the US imports in line with its promises under the TPP, which the US has withdrawn. However, the agreement did not address fundamental US concerns about non-tariff barriers in Japan's automotive sector, which had been a source of dispute in previous trade agreements (Williams, Cimino-Isaacs & Regmi, 2019).

As far as the USJDTA is concerned, it is an effort to develop high digital standards and includes commitments regarding the digital aspects of international commerce, such as cross-border data flows, promoting privacy rights while minimising data localisation obligations (Minohara, 2025). The digital trade framework highlights the US's role in establishing digital economy norms and is consistent with its overall strategy to counterbalance China's growing influence in the Asia-Pacific region. However, the narrow focus of these agreements points to a shift in the US towards issue-specific bilateralism instead of comprehensive trade deals. It is also worth noting that the US's approach to digital trade is quite different from the EU's data privacy and security regulations, particularly the General Data Protection Regulation (GDPR). Japan, which has strong trade relations with both the US and the EU, has managed to navigate these different frameworks by taking a dual-track approach. It aligned with the EU data protection standards through an adequacy decision under GDPR, while also working with the US on more flexible data governance rules. This balancing approach enabled Japan to keep access to both markets while guaranteeing it met regulatory standards with its key trading partners (Williams, Cimino-Isaacs & Regmi, 2019).

Compared to the digital trade provisions in the original TPP, the USJDTA retains key principles such as prohibiting data localisation and ensuring cross-border data flows, but lacks the broader regulatory coordination that the TPP tried to establish. Under the TPP, the US had aimed to set digital trade rules across a multilateral framework, embedding them in a larger FTA that included enforceable dispute resolution mechanisms. The move towards a narrower bilateral agreement under the Trump administration reflects a broader rejection of multilateralism, favouring bilateral deals that offered more flexibility to prioritise the US economic and geopolitical interests without binding commitments to a broader regional framework (USTR, 2019A).

For the US-Japan negotiations, the main actors included the Office of the USTR, led by Robert Lighthizer, and Japan's METI and MOFA. The USTR's approach to negotiations with Japan was impacted by domestic agricultural lobbies, especially those from the Midwest, who were seeking to regain market access that was lost as a result of the US's withdrawal from the TPP. Japan's negotiators, on the other hand, prioritised limiting concessions in politically sensitive areas, such as rice and beef markets, while securing guarantees against the imposition of additional US tariffs on automobiles (Walter, 2022). It should be noted that the absence of a comprehensive framework left significant sectors, including services and investment, unaddressed. Similarly, while the USJDTA established strong provisions on data flows and the prohibition of data localisation requirements, critics argued that the lack of enforceable labour or environmental standards weakened its broader impact (Goodman et al., 2019).

The USJTA's legal text outlines that Japan would reduce or remove tariffs on around 600 agricultural products, including beef, pork, wheat, cheese, and wine. This move aligns with the commitments Japan made under the CPTPP (USTR, 2019B). Specifically, tariffs on US beef were set to gradually drop from 38.5% to 9% by 2033, similar to the reductions offered to other CPTPP members (USTR, 2019A). Nevertheless, rice is excluded from the agreement because the rice market remains politically sensitive, and Japanese policymakers are keen on protecting it (Walter, 2022).

On the US side, the tariff concessions were more limited. The agreement did not reduce the US tariffs on Japanese automobiles, which remained at 2.5%, and it did not prevent potential future tariff increases under Section 232 of the Trade Expansion Act of 1962 (Men, Schunz and Freeman, 2020). However, Japan managed to secure a side letter agreement where the US promised not to impose any extra tariffs on its auto exports for the time being, since violated by Trump (USTR, 2019A). Regarding digital trade, the USJDTA prohibits customs duties on digital products, enforces non-discriminatory treatment of digital transactions, and restricts forced technology transfers. Notably, the agreement matches provisions from the CPTPP but expands protections for cross-border data flows and encryption technologies (Williams, Cimino-Isaacs & Regmi, 2019).

From a geostrategic perspective, the US tried to enhance its engagement with Japan as part of its strategy to contain China's rapid economic rise. By leveraging regional allies, including through trade agreements, the US aims to counterbalance China's growing influence and strengthen its own strategic position in the region. Consequently, the interplay between system-level and unit-level factors becomes apparent in defining the trade policies of both the US and the EU towards Japan, emphasising Japan's importance not only as an economic but also as a critical geopolitical partner. Significantly, the key point is that the ability of the Executive to use trade agreements to promote security interests is constrained by the separation of powers and the role of interest groups, as well as the electoral system in determining trade policy. Hence, the US's inconsistent approach, with its geopolitical goals being the same, but its ability to pursue a consistent trade strategy is significantly constrained (Interview 9; Interview 17; Interview 18).

Domestic-level factors significantly influenced the approaches of the EU and the US in their trade relations with Japan. The EU faced minimal domestic opposition to the EPA due to a strong internal consensus favouring multilateral trade. On the other hand, the US trade policy was affected by rising domestic scepticism towards globalisation, which created a more contentious environment for pursuing trade agreements, with interest groups exerting substantial influence. Agricultural lobbies were very important, securing reduced tariffs on key products in the US-Japan trade agreement. Meanwhile, the EU's negotiations reflected a broader coalition of stakeholders, including those from the agricultural, automotive, and public procurement sectors. Institutional structures further highlight the differences between the two actors. The EU's trade policy functions within a supranational governance framework, requiring alignment among member states. This promotes consistency, but it can also slow down the negotiations. On the other hand, the US trade policy is more centralised, enabling quick changes based on the priorities of the administration in power. However, this flexibility can lead to uncertainty, especially when domestic political shifts or changes occur in trade strategy. These domestic factors highlight the opposite approaches of the EU and the US in shaping their trade relations with Japan (Interview 2; Interview 4; Interview 17).

In the US, trade policy during its negotiations with Japan was heavily influenced by domestic factors shaped by growing protectionism. The administration prioritised addressing trade imbalances, particularly in sectors such as agriculture, where lobbying groups like the National Pork Producers Council pushed for favourable outcomes. This domestic pressure reflects a realist orientation, emphasising short-term economic gains to satisfy politically influential constituencies. Conversely, the EU demonstrated greater alignment among its internal stakeholders, including the automotive, pharmaceutical, and agricultural sectors, all of which supported the EU-Japan EPA as a tool for market expansion. The EU's commitment to environmental and social standards, embedded within the EPA, reflects liberal institutionalist principles that connect domestic policy preferences with broader normative commitments. This internal cohesion enabled the EU to present a cohesive negotiating position, unlike the fragmented domestic priorities seen in the US (Meunier & Nicolaïdis, 2023).

It should be noted that many US FTA negotiations never conclude. The failure rate, attributed to the role of Congress, reflects the deep impact of domestic politics on the US trade policy. For example, the KORUS FTA had to be renegotiated due to Congressional dissatisfaction, illustrating how domestic legislative factors shape the scope and outcomes of the US trade agreements (Interview 17). The interplay between domestic and systemic factors is critical to understanding the divergent approaches of the EU and the US in their trade negotiations with Japan. For the EU, systemic factors such as the US withdrawal from the TPP accelerated the conclusion of the EPA (Grubler, Reiter, and Stehrer, 2021). These external pressures, combined with a domestic consensus on free trade, enabled the EU to pursue a comprehensive agreement that reflected both economic and geopolitical objectives. The automotive and agricultural sectors, which benefited significantly from the EPA, played a critical role in shaping domestic support for the deal, highlighting the alignment between domestic and systemic considerations.

The limited nature of the US–Japan trade relations was not the result of strategic disinterest but of domestic and institutional constraints. As discussed in the previous chapter, the US trade policymaking is conditioned by congressional authority and the need for political consensus on TPA. Following the backlash against NAFTA and KORUS, it was difficult for successive administrations to secure domestic support for comprehensive FTAs. This constrained the US capacity to negotiate a comprehensive agreement with Japan, despite the fact that there is already a long-standing political and economic relationship. Consequently, the US trade engagements with Japan prioritised more limited, sector-specific arrangements consistent with domestic political feasibility rather than systemic competition with the EU.

## 4.4 A content analysis of the US-Japan and EU-Japan Trade Agreements

A comparative legal analysis of the USJTA and the EU-Japan EPA reveals substantial differences in scope, enforceability, and legal commitments. Significantly, the USJTA was negotiated as a limited scope agreement and lacks the depth and comprehensive legal obligations of a full FTA. In contrast, the EU-Japan EPA is a legally binding, comprehensive FTA including a broad range of trade, investment, and regulatory commitments. The USJTA was concluded as an executive agreement, and it did not require full congressional approval under the US trade law. Instead, it was implemented through assertions by the President and as a result, it lacks the legal status of a full FTA. Importantly, this created uncertainty regarding its durability, as future administrations could independently modify or withdraw from the agreement without congressional approval. This meant that tariff reductions applied under the USJTA were presidential assertions instead of legal requirements, and the agreement excluded congressional implementing legislation, which is usually related to a comprehensive FTA (Williams, Cimino-Isaacs & Regmi, 2019). On the other hand, the EU-Japan EPA passed through the full ratification process in the European Parliament and the Japanese Diet (EUR-Lex, 2024). This provides the EPA with greater legal stability and ensures its commitments remain in force, regardless of future political changes in either party. The agreement includes a formal dispute resolution mechanism, further strengthening its legal enforceability. The dispute settlement provisions of the EPA adopt the framework established by the WTO, establishing clear timelines, panel procedures, and the possibility of trade retaliation for persistent non-compliance (European Parliament, 2018).

When examining the negotiation of the agreements, it is evident that Japan has found the EU to be more flexible than the US. The strictness of the US trade negotiation process arises from Congressional mandates, which require the inclusion of certain provisions in every agreement. This requirement leads to a high degree of uniformity across the US FTAs, with about half of the content remaining consistent in the US trade agreements (Alle & Lugg, 2016). This not only complicates negotiations but also limits the scope for context-specific solutions that could better meet the needs of both sides. On the other hand, the EU takes a more flexible approach to trade negotiations, allowing for agreements that are more tailored to the priorities of the countries involved. This flexibility is particularly attractive to Japan because it allows for the formation of agreements that address Japan's economic and strategic concerns. The differences in these approaches highlight the reasons Japan managed to reach an agreement with the EU, while negotiations with the US were more challenging. Despite Japan's strategic importance to the US interests in East Asia, the structural barriers of the US trade policy process have slowed down the progress towards a comprehensive FTA with Japan (Interview 3; Interview 6; Interview 9).

The US-Japan trade agreements reflect a negotiation process that was influenced by both systemic and domestic political considerations. The US approach can be understood as a strategic readjustment in response to shifting global trade dynamics and domestic pressures. The US's decision to give up a broader FTA in favour of issue-specific agreements was not just about immediate economic benefits but also a reaction to the competitive pressures posed by the CPTPP and the EU-Japan EPA. This strategic interaction was particularly evident in the emphasis on areas such as agriculture and digital trade, where the US's main objective was to counterbalance the advantages gained by other trade partners in the absence of the TPP membership (Walter, 2022). However, the sectoral focus of these agreements also reflects the fragmented nature of the US trade policymaking, where negotiations are shaped by competing domestic interests. Significantly, the exclusion of automobile tariffs, a major concern for Japan, further illustrates how the US approach was affected by domestic protectionist pressures, limiting its ability to negotiate a more comprehensive trade agreement (USTR, 2018).

A key legal limitation of the USJTA is its lack of a binding dispute resolution mechanism. The agreement does not contain an ISDS mechanism, and it does not provide any alternatives to the WTO dispute settlement system. Instead, any disputes must be resolved through diplomatic channels or subsequent negotiations. The exclusion of enforceable procedures reflects the narrow scope of the agreement and the political limitations of negotiating under executive authority in the US, where Congress was reluctant to authorise a full trade agreement following divisions exposed during KORUS ratification (Williams, Cimino-Isaacs & Regmi, 2019). Moreover, the USJTA only covers market access in goods and limited rules on digital trade, leaving areas such as services, procurement, competition, and environment completely outside its legal text. It should be noted that the provisions were included in the TPP, largely at the behest of the US. This is important since it shows the differences between strategic interests, what the US government would ideally want, and what would be politically acceptable (USTR, 2019A).

As far as the EU-Japan EPA is concerned, it includes a legally binding state-to-state dispute settlement mechanism based on WTO procedures. The agreement establishes sector-specific dispute mechanisms, ensuring that regulatory commitments in areas such as sanitary and phytosanitary standards, public procurement, and IPR are upheld. In addition, the agreement establishes clear enforcement measures, including potential trade retaliation if obligations are not met (European Commission, 2022). This contrast illustrates that the EPA embeds a deeper institutional structure, including joint committees, specialised working groups, and formalised monitoring procedures, whereas the US approach relies on ad hoc diplomatic engagement without permanent governance bodies.

The USJTA contains a few binding commitments on regulatory convergence, focusing instead on tariff reductions and sectoral agreements. Notably. the agreement did not include mutual recognition of technical standards, meaning that the US and Japanese firms must still comply with different regulatory regimes. Digital trade provisions, while extensive, are non-binding, indicating that Japan is not legally obligated to maintain its commitments in areas such as cross-border data flows and e-commerce rules (Solís, 2021). The Digital Trade Agreement accompanying the USJTA was largely symbolic, drawing heavily on CPTPP text but without binding enforcement; its rules on source code protection, data localisation, and cross-border transfers remain politically contingent. The absence of annexes on regulatory alignment means that technical trade barriers remain largely unaddressed (Williams, Cimino-Isaacs & Regmi, 2019).

It should be noted that the EU-Japan EPA prioritises regulatory convergence, addressing a range of non-tariff barriers through legally binding commitments. The EPA incorporates mutual recognition agreements in sectors such as pharmaceuticals, medical devices, and automotive safety standards, reducing compliance costs for firms (Berkofsky et al. 2019). Japan agreed to align food safety standards with EU regulations, facilitating agricultural exports from Europe. By embedding regulatory cooperation into the legal framework, the EU-Japan EPA creates long-term economic predictability, in contrast to the more ad hoc nature of the USJTA. The institutionalised regulatory dialogues and mutual recognition annexes are central to the EPA's legal design, making it the EU's most ambitious bilateral treaty in terms of non-tariff barrier reduction. Additionally, Chapter 16 on trade and sustainable development embeds binding obligations to uphold international labour standards and environmental agreements, though without sanctions, while Chapter 10 on government procurement opens Japanese sub-central markets far beyond WTO GPA commitments. These chapters underline the treaty's breadth, in contrast with the USJTA's omission of such areas (European Commission, 2022).

Unlike traditional US and EU FTAs, neither the USJTA nor the EU-Japan EPA includes an Investor-State Dispute Settlement mechanism regarding private investment protection. This reflects Japan's reluctance to include investment arbitration provisions following domestic backlash against ISDS mechanisms in past trade negotiations. In the USJTA, investment provisions were entirely omitted, reflecting the agreement's narrow sectoral focus. In the EU-Japan EPA, the investment chapter was initially included but later postponed due to divergent institutional preferences regarding arbitration models. This decision to separate investment from the EPA underscores a broader trend in EU trade policy, meaning the shift towards stand-alone investment treaties following the politicisation of ISDS in negotiations with Canada and the US. Importantly, Article 1.2 of the EPA explicitly notes that investment protection falls outside the scope of the treaty, making this one of the few areas where the EU deliberately left a legal gap in an otherwise comprehensive FTA (European Commission, 2022).

There are substantial differences in the treatment of services trade. More specifically, the USJTA contains no binding provisions on services liberalisation, leaving key domains such as telecommunications, professional and financial services entirely outside the agreement. By contrast, the EU-Japan EPA devotes an entire chapter (Chapter 8) to services, including legally binding commitments on market access, national treatment, and local presence requirements. The EPA applies a "negative list" approach, ensuring that all service sectors are liberalised unless explicitly exempted, thus granting a higher degree of legal certainty to European service providers (European Commission, 2022). This coverage indicates the EU's strategy of embedding services and investment liberalisation within treaty law, diverging significantly from the narrow scope of the USJTA.

Another crucial area of divergence centres on government procurement and IPR. More specifically, the EU-Japan EPA expands procurement commitments well beyond Japan's obligations under the WTO Government Procurement Agreement (GPA), opening access to sub-central markets such as hospitals, universities, and utilities. This was particularly significant for EU suppliers, as Japanese procurement had long been perceived as restrictive (European Parliament, 2018). Moreover, the EPA contains a chapter about intellectual property (Chapter 14), incorporating GIs for over 200 EU products, which are legally binding and enforceable under domestic Japanese law (European Commission, 2018C). The USJTA did not include any provisions on procurement or GIs, and its digital trade chapter remained mostly declaratory, with no enforcement mechanism. The absence of these dimensions indicates that the USJTA was more of a cooperation agreement than a legally robust trade agreement.

Finally, differences in treaty language and institutional structure further underline the divergence in legal depth. The EPA systematically uses mandatory treaty language such as "shall" and "must," establishing legally enforceable obligations across its chapters, while the USJTA frequently relies on non-binding terms such as "strive to" or "endeavour to," which are legally weaker and subject to political discretion (European Commission 2018C; USTR 2019B). Furthermore, the EPA institutionalises its implementation through a Joint Committee (Chapter 22) and multiple specialised committees and working groups, ensuring continuous monitoring and legal interpretation of commitments (European Commission, 2022). Noticeably, the USJTA lacks equivalent structures, indicating that its implementation depends on ad hoc consultations rather than permanent bodies with delegated authority. This institutional asymmetry is of paramount importance from a legal and political point of view. More significantly, the EPA embeds cooperative legal governance between the EU and Japan, whereas the USJTA creates only provisional and reversible obligations.

## 4.5 Conclusion

The comparative analysis presented here, drawing on elite interviews and a close reading of legal texts and secondary literature, reveals that the US and the EU acted independently in their trade relations with Japan. Importantly, the absence of convergence, despite similar geopolitical and economic interests, underscores the argument that competitive liberalisation, while a useful frame, offers a limited explanation in the case of Japan. In fact, what becomes apparent is that even in the South Korea case, strategic interaction was more coincidental than the primary driver. Evidence from the South Korea case demonstrates that the US trade policy outcomes were heavily shaped by domestic factors, including congressional approval processes and sectoral lobbying, while the EU trade policy was guided by institutional stability and economic objectives. This reinforces the broader finding that the EU and the US trade policies in East Asia often reflect domestic political and institutional considerations rather than reactive strategic interaction.

In the US, Congress acts as a powerful veto player, sets formal negotiating objectives, and mediates the influence of interest groups and sectoral lobbies, constraining the Executive and USTR in designing comprehensive FTAs (Chorev, 2007). On the other hand, the EU operates through a complex system of supranational and intergovernmental institutions, where the European Commission negotiates on behalf of member states under the Council, and the European Parliament provides formal consent while sectoral interests are mediated through structured consultation mechanisms (Da Conceicao, 2010; Meunier, 2005). These domestic structures explain the reasons the US pursued a more limited, sector-specific agreement with Japan, whereas the EU concluded a comprehensive trade agreement consistent with its FTA template.

In the previous chapter on South Korea, the analysis demonstrated a convergence between the US and the EU trade strategies, where both actors pursued full bilateral FTAs with South Korea. Despite differences in negotiation structures and priorities, the US and the EU ultimately aligned in their approach by concluding comprehensive trade agreements with South Korea, illustrating outcome convergence in their engagement with the country. While the agreements were similar, this convergence hid fundamental differences in negotiating preferences, strategic objectives, and domestic drivers. This chapter examined the US and EU trade strategies towards Japan, where a clear divergence emerges. More importantly, the divergence in the US and the EU trade strategies towards Japan may not have emerged solely during the negotiation process but rather originated from fundamentally different starting positions. The US had a long-established history of trade cooperation with Japan, often engaging through sector-specific agreements and multilateral frameworks like the APEC.

On the other hand, the EU's trade relationship with Japan was historically governed by Most-Favoured Nation (MFN) principles within the WTO framework, with limited bilateral engagement. Despite this, the EU eventually completed a deeper and more comprehensive trade agreement, reflecting its broader commitment to regulatory alignment and long-term economic integration (European Parliament, 2018). Significantly, this outcome suggests that while initial conditions shaped each actor's approach, the EU's pursuit of a legally binding and institutionalised trade agreement was driven by its strategic objectives of reinforcing its presence in Asia and promoting rules-based economic governance.

The structural differences between the US and the EU provide a deeper understanding of their divergent trade policies. The US decentralised lobbying environment, characterised by sectoral interests such as the agricultural and technology industries, exerts significant influence on trade outcomes. These groups, empowered by the TPA, constrained negotiators to pursue agreements narrowly tailored to address their specific requirements, such as tariff reductions for pork and digital service rules. On the other hand, the EU benefits from its central institutional mechanism under the European Commission, which balances competing member-state interests through consensus-building. This allows the EU to pursue broad agreements that integrate diverse sectors, from automotives to intellectual property protections. Regulatory alignment with Japan on GIs and mutual recognition agreements for standards reflects the EU's liberal institutionalist strategy, which ties domestic interests to international norm-setting (Suzuki, 2017).

My interviews revealed that Japan has no aspirations of becoming a regional hegemon in East Asia, but it has recognised the need for maintaining the liberal world order based on the rule of law and democratic values, and this goes against what China has been practising. Many countries in East Asia do not want to choose a side between the US and China and prefer to be neutral. There are various threat perceptions among countries in East Asia. The political factors behind FTAs are very important. Countries like South Korea and Japan are more friends with Western countries. Japan is a security ally of the US, and there is mutual availability for negotiations between them. However, this is not the case with China, as there is a lot of competition. The EU is naturally a trading partner for South Korea and Japan. These are very easy countries to negotiate with and conclude trade agreements. That's why both the US and the EU are strong partners of South Korea and Japan. Economic efficiency is not the main reason for FTAs; it is mostly domestic political reasons. The EU's change from GE to Strategic Autonomy is affecting the US a lot. The EU is very reactive to what is happening in the world, and this was apparent during the Trump Administration and during COVID. The world is becoming more and more dependent on China (Interview 4; Interview 6; Interview 14).

The EU's EPA demonstrates liberal institutionalism and normative leadership, promoting multilateralism and long-term interdependence. The US-Japan trade agreements, more limited in scope, highlight realist priorities influenced by domestic protectionism. While the US leveraged its economic power in a realist, bilateral approach, this leverage was not directed towards a comprehensive liberalisation effort such as the TPP, but rather to extract limited, sectoral concessions through the USJTA, reflecting an approach driven by domestic protectionist pressures. On the other hand, the EU adopted a multilateral, institutionally driven strategy consistent with its liberal values.

More importantly, this chapter has highlighted the complex interplay of systemic and domestic factors shaping the trade relationships between Japan, the EU, and the US, underscoring the nuanced dynamics at both levels. More specifically, Japan’s agricultural protectionism and export-oriented industries, the US’s polarised political environment and protectionist rhetoric, and the EU’s institutional coordination mechanisms played an important role in how each actor approached the trade negotiations. These domestic considerations interacted with wider systemic factors, most notably, strategic competition with China and the decline of multilateral trade norms, to produce different negotiation outcomes observed in the EPA, TPP, and USJTA.

The analysis reveals that Japan’s strategic importance goes beyond traditional economic dimensions, emerging as an important actor in global trade and regional stability. The EU-Japan EPA and the US-Japan trade agreements illustrate different priorities and approaches. While the EU pursued a multilateralist strategy, aligning with its normative commitment to rules-based global trade, the US focused on bilateral agreements influenced by domestic political constraints. These divergent approaches reflect not only systemic competition with China but also the evolving domestic political environments within the EU and the US.

Interview findings further enhance this analysis by providing insights into Japan's role as both an economic and geopolitical actor. Japan's perception of China as a threat mirrors the views held by the US, leading to greater alignment between these two powers, particularly in terms of security and trade policy. However, Japan’s disappointment regarding the US withdrawal from the TPP highlights how systemic and domestic factors can converge to undermine long-term strategic goals. Similarly, Japan’s strategic alignment with the EU on the EPA illustrates the country’s approach to economic engagement, attempting to balance its domestic interests with a broader commitment to multilateralism.

A crucial distinction between the US and the EU approaches in the South Korea and Japan cases is that while in the former, both actors pursued market access agreements and concluded full FTAs, the Japan case reveals a more pronounced divergence. Significantly, the US’s decision to favour regional agreements over a bilateral FTA with Japan, as seen in its focus on the TPP, diverges significantly from the EU's negotiation of an EPA. Noticeably, the original TPP intended to incorporate a mega-regional FTA similar to South Korea; hence, the strategic objective was present, at least under Obama, but was severely limited by the changing political circumstances in the US. This divergence is a consequence of reliance on established trade cooperation patterns, with Japan historically engaging with the US in multilateral economic structures such as APEC, whereas the EU had no pre-existing framework of economic engagement. This divergence also reflects the different domestic political and institutional constraints each party faced. In the US, congressional resistance to liberalisation and the rise of protectionism limited the political feasibility of negotiating a comprehensive FTA. Therefore, the Obama administration shifted towards a regional strategy through the TPP, aiming to reduce domestic opposition by integrating Japan within a broader coalition. In contrast, the EU's institutional autonomy in trade policymaking, particularly the Commission's mandate and the relative insulation of DG Trade from short-term political pressures, enabled it to pursue a comprehensive trade agreement with Japan.

It should be noted that the temporal dimension plays a key role in explaining this divergence. The US and the EU engaged with Japan at separate times under different geopolitical and economic conditions, which influenced their trade strategies. While the US initially pursued regional trade integration through the TPP under the Obama administration, domestic opposition to trade liberalisation had already begun to erode support for comprehensive agreements, with the contentious ratification of KORUS and the difficulties in securing fast-track authority for the TPP negotiations revealing the fractured foundations of the US trade politics. These tensions indicated an increasing scepticism in Congress and among the public towards trade agreements. Therefore, the political shift under Trump accelerated, favouring bilateralism and protectionist measures (Solis, 2017). Notably, the US commitment to free trade has experienced a gradual weakening over time, a trend reflected in its trade policy towards Japan. From a longer historical perspective, this decline can be traced back to the contentious politics of NAFTA in the early 1990s, which marked the beginning of sustained domestic scepticism towards trade agreements. In this perspective, KORUS appears less a continuation of liberalisation than a post-9/11 deviation influenced by exceptional geopolitical circumstances. When APEC was established during the 1990s, it was seen as an interregional strategy and over time, it became less and less focused on inter-regionalism. On the other hand, the EU's negotiation of the EPA with Japan followed a longer-term trajectory of trade liberalisation, supporting rule-based trading principles and sustainability as well as international standards (Grubler, Reiter & Stehrer, 2021). These differences in timing and policy continuity are essential for understanding why convergence seemed to occur in the South Korean case, but clearer divergence occurred in the case of Japan.

Unlike in the South Korean case, where both actors pursued bilateral FTAs, the US withdrew from regional initiatives like the TPP under the Trump administration. This retreat from the emerging shift towards more comprehensive regional agreements was not only the result of presidential preferences but was also indicative of domestic constraints. Significantly, the contentious ratification of KORUS had already uncovered deep divisions between Congress and the Executive, and the significant political battles of the Obama administration to renew TPA highlighted the unstable institutional structure for progressing comprehensive FTAs. On the other hand, the EU maintained its commitment to comprehensive trade deals, concluding the EU-Japan EPA.

To sum up, this chapter has demonstrated that the EU and US approaches towards Japan diverge significantly in terms of their respective trade agreements. The EU-Japan EPA reflects the EU's standardised and autonomous trade strategy, while the US-Japan trade arrangements are more limited in scope and shaped mainly by domestic constraints rather than competitive pressures. Noticeably, the Japan chapter contributes to re-evaluating the predominant narrative of strategic competition between the EU and the US in East Asia, highlighting the persistence of independent trade strategies.

From a theoretical perspective, the case of Japan further demonstrates the limits of system-level explanations when they are not mediated through domestic political and institutional analysis. Although realism identifies the strategic relevance of Japan within the regional order, it cannot explain why similar systemic incentives and factors produced different policy outcomes for the EU and the US trade policies towards Japan. Similarly, liberal institutionalism is useful for explaining the EU's ability to conclude a comprehensive agreement with Japan, but it provides an incomplete explanation for the limitations faced by the US. Importantly, the evidence from this chapter supports domestic-level approaches that emphasise institutional veto points, interest group mobilisation, and political feasibility as important factors influencing the EU and the US trade policies towards Japan.

# Chapter 5: China: The Case That Breaks the Pattern?

## 5.1 Introduction

This chapter builds on the comparative framework developed throughout the thesis by examining the China case as an area of strategic divergence between the EU and the US. While the thesis investigates the extent to which the trade policies and strategies of the two actors show convergence or divergence in East Asia, it does so through a framework of both systemic factors and domestic considerations. In the China case study, the divergent approaches of the EU and the US are determined less by direct strategic interaction and more by internally embedded regulatory traditions, institutional preferences, and geopolitical considerations. This chapter demonstrates that the divergence in the EU and the US trade policies and strategies cannot be fully explained by only considering systemic factors, and what might seem like strategic alignment in some contexts may, in fact, be driven by divergent motives. Instead, it reflects distinct normative visions of economic order and different views of China's position within it.

This chapter analyses the EU and the US trade relations with China using the integrated theoretical framework developed in this thesis, while adapting its application to a case where trade policy is closely linked with systemic power shifts and strategic competition. Realism is useful for analysing and considering China's rapid growth and the challenges it poses to the existing international order. Liberal institutionalism is also important, considering the role of international rules, regulations, and institutional engagement in managing economic interdependence (Keohane, 1984). However, the China case requires closer examination of how systemic factors are filtered through domestic considerations, policy ideas, and institutional structures. This chapter uses the combined theoretical framework to examine how similar systemic conditions resulted in different trade approaches by the US and the EU, determined by different domestic interpretations of risk, security, and economic governance.

More specifically, the China case reveals clearer differences in how the EU and the US have approached trade relations, particularly as these differences have become more evident since Trump's first administration. The EU's approach has been mainly pragmatic, aiming to balance openness with regulation, whereas the US response has been more confrontational, driven by the politicisation of China's economic practices and increased domestic sensitivity to trade fairness and national security concerns. For the EU and the US, China has been both an important economic partner and a systemic competitor, imposing a divergent approach to trade relations. Despite the fact that the EU and the US recognise the opportunities presented by their economic and trade engagement with China, their trade policies reflect different strategic considerations, regulatory approaches, geopolitical considerations, and domestic constraints (Meunier, 2020). Accordingly, this chapter focuses on the divergent drivers underpinning their engagement, ranging from systemic pressures associated with China's rising economic power in the international system to unit-level factors rooted in domestic institutional and political structures.

Since its entry to the WTO in 2001, China has expanded its economic influence through trade, investment, and strategic initiatives such as the Belt and Road Initiative (BRI), becoming one of the leading countries in the world to attract FDI (Mayer et al., 2025). This prompted different responses from the EU and the US, with the former favouring engagement and multilateralism, while the latter has fluctuated between cooperative and confrontational trade policies, particularly in light of growing strategic competition. While the Trump administration's trade war (2018–2020) and the US trade policy under Biden were often framed in protectionist and nationalistic terms, they were mainly justified as efforts to ensure economic fairness rather than as moves in geopolitical competition. The rhetoric of being "ripped off" by China resonated with domestic concerns about deindustrialisation, job losses, and declining competitiveness, reflecting deep economic insecurities rather than a geostrategic agenda. The EU's response to China was influenced by internal tensions between member states that benefited from Chinese investment and those concerned about industrial vulnerabilities, balancing economic openness with the protection of strategic sectors. The EU prioritised competitive fairness and the protection of the single market, a position shaped by the different policy preferences of its member states. These approaches evolve in response to changing global economic conditions, domestic pressures, and broader geopolitical developments (Meunier, 2020).

This chapter builds on the empirical findings of the South Korea and Japan case studies to examine how the EU and the US have approached their trade relations with China. More specifically, in the South Korea case, the evidence showed that both parties moved in parallel rather than in direct competition, with their FTAs driven by internal political and institutional considerations rather than strategic interaction and competitive liberalisation. The US pursued KORUS at a moment of domestic alignment between executive ambition and sectoral lobbying pressures, whereas the EU's agreement with South Korea reflected a market-driven response to concerns about competitiveness under the GE strategy. The Japan case study revealed that the EU and the US trade strategies were independent, pursuing different objectives. The divergence between the EU and the US towards Japan was driven by domestic politics rather than systemic pressures. In the US, trade liberalisation faced strong opposition from Congress, particularly after the backlash against NAFTA and KORUS. This environment limited the executive's ability to pursue a comprehensive bilateral FTA with Japan, directing trade policy towards TPP, from which the US later withdrew. The EU's more independent trade policy enabled it to pursue a comprehensive EPA.

This chapter highlights a variety of factors, such as China's rapid growth, changes in the liberal international order, and domestic political factors, including industrial priorities, institutional constraints, and interest group pressures in the EU and the US. The chapter discusses the ways in which strategic objectives, regulatory approaches, and geopolitical considerations have influenced the US and EU engagements with China. It should be noted that the chapter also integrates evidence from interviews conducted with policymakers and trade experts to explain key findings and provide empirical depth to the theoretical analysis.

By situating the EU and US trade relations with China within my broader IPE framework, this chapter contributes to the debate on whether economic interdependence reduces or strengthens strategic competition. The central finding is that, unlike in the South Korea case where temporal proximity and partial alignment suggested some degree of strategic interaction; and unlike the Japan chapter, where we saw that their trade strategies were independent, pursuing distinct objectives, driven by domestic politics rather than systemic pressures, in the China case the divergence in the EU and the US trade strategies is more deeply rooted and structural. The EU's approach is established in a regulatory and institutional perspective that aims to integrate China into the rules-based global order, while the US has increasingly framed China as a strategic competitor to be contained through coercive trade instruments and decoupling narratives (Starrs & Germann, 2021; Zhang, 2023). Significantly, this divergence also reflects deeper systemic and unit-level variations in how the EU and the US interpret the challenges posed by China's rise. Therefore, the analysis highlights that economic interdependence does not necessarily result in strategic convergence.

One of the main developments of the international system in the last two decades has been the shift of the balance of power from the West to the East. Importantly, there has been a more assertive role of the US, aiming, through different approaches, at confirming its leadership worldwide. The EU has been able to sustain several global challenges, showing a certain degree of resistance against the long economic recession and the difficulties that have emerged since Brexit (Cohn & Hira, 2025). At the same time, it has made significant initiatives in the domain of European defence in order to further enhance the process of integration among its members. In addition, the EU seems to have risen to the challenge that has been imposed by the Covid-19 global pandemic; this indicated that, when dealing with an unprecedented situation, the European institutions and its main members can overcome any core differences, to support the Union's prosperity and raise a protective barrier that permits its ongoing sustainability (Jones, Kelemen & Meunier, 2021). Further to this, despite more stable institutional foundations, the EU has stepped back from the aggressive pursuit of FTAs with a greater emphasis on the use of existing policy levers to further advance its interests.

China presents a more complex case as the interplay of strategic rivalry and institutional divergence is more evident. The chapter departs from assumptions of competitive liberalisation and argues that the EU's and the US's approaches towards China are driven by different but occasionally intersecting rationales. Drawing on my theoretical toolkit set out in Chapter 2, alongside empirical insights from elite interviews, the chapter adds to the analytical propositions developed in previous case studies and demonstrates how domestic institutional structures influence the external trade strategies of the EU and US.

## 5.2 Legal Context: Trade Agreements and Frameworks Governing the EU and US Trade Relations with China

This section provides a legal and institutional overview of the trade relationships between China, the US, and the EU. While, unlike the South Korea and Japan cases, no formal FTA exists between either the US or the EU and China, the legal frameworks that underpin these relationships are of paramount importance. This section provides an examination of the principal legal instruments, bilateral initiatives, and multilateral frameworks affecting the interactions of the US and the EU with China. Providing this context is essential for understanding the legal and institutional environment within which the US and the EU have developed their respective trade policies towards China.

The legal context of the US and China trade relations provides an important background for understanding the strategic evolution of the US economic policy towards China. In contrast to the negotiation of FTAs with South Korea and other allies, the US trade policy towards China has been characterised by a mix of multilateral engagement and bilateral confrontation. The legal instruments directing the US and China trade relations, particularly the WTO framework and the Phase One Agreement, illustrate a strategic shift from cooperative liberalisation towards selective decoupling and issue-specific enforcement. While China is positioned as a geopolitical rival, it is not strictly the case that national security considerations have directly governed the US trade policy towards China (Bown, 2021). This is, in part, due to the institutional structure of the US trade policymaking, where authority is shared across the legislative and executive branches, and where the President's foreign policy powers do not automatically extend to trade at least until the expanded executive authority seen during Trump's second-term presidency. The role of Congress, executive bureaucracies like the USTR, and domestic economic stakeholders has been central in shaping trade policy, often reflecting sectoral interests and commercial pressures rather than coherent geopolitical strategy (Destler, 2005).

In the context of the US-China trade relations, the Phase One Agreement signed in January 2020 represented a tactical pause in the ongoing US-China trade war. Although not equivalent to an FTA in scope or ambition, the Phase One Agreement is a key legal reference point in understanding the US's evolving economic strategy towards China, illustrating a shift towards issue-specific, enforcement-driven agreements. It emerged from the Trump administration's broader shift towards unilateral trade enforcement and economic decoupling. The agreement focused on targeted commitments in food and agriculture products, intellectual property protection, technology transfer, and financial services, with China pledging to purchase an additional $200 billion in US goods and services during 2020 and 2021 (Bown, 2021). However, these purchase targets were not met, and the agreement largely bypassed fundamental structural issues such as state subsidies and industrial policy. While politically expedient, the Phase One Agreement was insufficient to reverse the broader trajectory of strategic divergence and economic confrontation between the two powers.

*Table 4: Key Provisions of the US–China Phase One Agreement*

| **Area** | **Key Commitments** |
|---|---|
| Agriculture | China agreed to purchase an additional $32 billion in US agricultural products over two years, including soybeans, pork, and dairy. |
| Intellectual Property | Provisions on trade secrets, patents, trademarks, and counterfeiting aimed to strengthen IP protection and enforcement in China. |
| Technology Transfer | China committed to eliminating practices requiring or pressuring technology transfer from foreign firms to domestic entities. |
| Financial Services | The agreement expanded market access for US financial institutions in areas such as banking, insurance, and securities. |
| Currency Policy | Both parties reaffirmed commitments to avoid competitive devaluation and promote transparency in exchange rate policies. |
| Purchases and Enforcement | China pledged to purchase $200 billion in additional US goods and services over 2020–2021, with a bilateral enforcement mechanism established to monitor compliance. |

Source: (USTR, 2020B; Bown, 2021).

Similarly, the EU's legal relationship with China sheds light on the distinct strategic considerations driving its trade policy. While the EU actively pursued FTAs with South Korea and Japan as part of its broader economic diplomacy, engagement with China has remained more cautious, relying on multilateral commitments and investment-focused agreements rather than comprehensive market liberalisation. The Comprehensive Agreement on Investment (CAI) negotiations reveal the EU's attempt to bring a balance between economic interests and a wide range of political concerns, including human rights and sustainable development. The negotiations for the CAI were concluded at the end of 2020, but the agreement has not been ratified due to political tensions following the EU's imposition of sanctions over human rights issues in Xinjiang and the subsequent Chinese counter-sanctions. This notwithstanding, the agreement aims to improve market access for European investors in sectors such as manufacturing, electric vehicles, and financial services, while introducing commitments on level playing field provisions and sustainable development (European Commission, 2021; Gao, 2022).

Rather than relying on PTAs, the trade relationships between China, the US, and the EU have evolved through multilateral arrangements, bilateral dialogues, and sector-specific agreements, reflecting the complexity of engaging with China as a major global economic power. The most significant legal framework regulating China's trade relations with both the US and the EU remains China's accession to the WTO in 2001. Significantly, China's WTO accession marked a major milestone, binding it to a wide array of commitments on tariff liberalisation, non-tariff barriers, IPR, and transparency obligations (WTO, 2001). The US-China Bilateral WTO Agreement (1999) was critical in facilitating this process, granting American firms enhanced access to the Chinese market and setting legal expectations for China's conduct within the multilateral system (Morrison, 2019). For the EU, China's WTO accession was similarly significant, aligning with the EU's multilateral approach to trade liberalisation and promoting engagement with China within a rules-based framework.

Importantly, the absence of comprehensive bilateral FTAs between China and either the US or the EU suggests a notable convergence in Western trade strategy, despite their different institutional approaches and regulatory frameworks. This convergence could be explained by recognising that China has been more than willing to participate in regional FTAs across East

Asia, including the RCEP and numerous bilateral agreements with the ASEAN members (Men, Schunz & Freeman, 2020). Significantly, this contrast underscores a broader asymmetry; while the US and EU remain cautious about formally integrating China into their preferential frameworks, China has positioned itself as a central actor in reshaping regional trade architecture on its own terms.

Remarkably, the terms of China’s WTO accession were wide-ranging, and China committed to substantial tariff reductions, particularly on industrial goods, and pledged to eliminate or significantly reduce non-tariff barriers. It also agreed to allow trading and distribution rights for foreign companies, enhance transparency in administrative procedures, and bring its domestic laws into compliance with WTO rules on subsidies, intellectual property, and investment. For the EU, these terms represented an opportunity to integrate China into a predictable, rule-based system while securing improved market access for European firms across sectors such as telecommunications, financial services, and agriculture (WTO, 2001). The US and the EU imposed side agreements with China before its WTO accession, which were not actually part of the formal WTO accession process. In the case of the EU, this did not reflect a protectionist approach; rather, it was a response to the ambiguity surrounding China’s development status, as the EU sought to balance recognition of China as a developing economy with concerns about its integration into global trade norms (Heron, 2007).

For the EU, the principal bilateral initiative is the EU-China CAI. The CAI aims to improve market access for European businesses, ensure fair competition, and address issues such as sustainable development and SOEs. Although the CAI has not yet been ratified, it represents the EU’s most substantial attempt to structure economic relations with China through a distinct legal framework, separate from an FTA. Compared to the Phase One Agreement, which focuses on selected sectors and prioritises enforcement mechanisms, the CAI offers a broader range of sectoral commitments, particularly in manufacturing, the automotive sector, and certain service sectors. Specifically, the agreement includes provisions for improved market access in electric vehicles, private healthcare, cloud computing, and financial services, while also introducing disciplines on transparency of subsidies and commitments related to labour and environmental standards (European Commission, 2021; European Parliament, 2022).

In addition to the absence of comprehensive FTAs, another important legal dimension in the US and the EU trade relations with China is the increasing use of defensive legal instruments. Importantly, both actors have progressively shifted towards mechanisms such as anti-dumping duties, investment screening frameworks, and subsidy control measures to manage perceived imbalances and unfair practices within the existing WTO framework. These legal tools have become a substitute for deeper treaty-based integration, reflecting growing scepticism towards China's state-led economic model. It should be noted that this shift is also a response to the perceived limitations and slow dispute resolution processes of the WTO, particularly its inability to effectively discipline China's non-market practices. The paralysis of the WTO Appellate Body since 2019, mainly due to the fact that the US blocked appointments and reappointments of Appellate Body Members, has further undermined confidence in the multilateral system (Grieger, 2024). As such, the US and the EU have turned to unilateral and bilateral legal instruments outside the WTO framework to gain greater control over enforcement and to respond more flexibly to evolving economic threats. The EU and the US have adopted a more defensive, legalistic approach in order to protect their markets while attempting to discipline Chinese practices externally. This evolution marks a significant departure from their legal engagement with countries like South Korea and Japan, where FTAs aimed to promote economic interdependence and shared regulatory norms (Van den Bossche & Zdouc, 2022).

It should be noted that both the US and the EU have increasingly relied on trade defence instruments to counter unfair trade practices from China. The EU's imposition of anti-dumping duties on Chinese steel in 2016 and its revision of the methodology to assess significant market distortions in 2017 reflected a shift towards defensive trade instruments within a multilateral framework (European Commission, 2016; Du, 2022). In a similar vein, the US has long employed Section 701 and 731 of the Tariff Act to impose duties on Chinese goods, in sectors such as solar panels, aluminium, and steel (Bown, 2017). These measures highlight a more assertive approach towards China's trade practices, while still operating within the formal constraints of the WTO framework. However, the increased dependence on unilateral or regional legal tools reflects increasing frustration with the WTO's limited capacity to discipline non-market economies. The long-standing deadlock in reforming its rules and the paralysis of its Appellate Body have reduced its efficiency. As a result, both the US and the EU have turned to alternative methods that allow for greater flexibility, faster responses, and more targeted enforcement (Interview 12; Interview 13).

## 5.3 US-China relations

### 5.3.1 Historic Context

The inclusion of some background in this section is essential for understanding the evolution of the US and the EU trade policies towards China and their relevance to the contemporary strategic and economic dynamics discussed in this case study. Although, unlike the South Korea and Japan case studies, there is no bilateral FTA between either the US or the EU and China, the direction of their trade relations is vital for understanding the foundations of current trade policy approaches. This section traces the major developments in the US-China and EU-China trade relationships from the late twentieth century onwards, highlighting how systemic and domestic factors influenced their engagements, competition, and strategies that are analysed in the rest of the chapter.

The US-China trade relationship has been one of the most significant and complex bilateral economic relationships of the post-Cold War era. Following the opening of China under Deng Xiaoping's economic reforms in 1978, the US gradually shifted from a strategy of containment towards a strategy of engagement. A crucial moment came in 1979 with the establishment of formal diplomatic relations and the signing of a BTA, which granted China MFN status temporarily (Breslin, 2007). Throughout the 1980s and 1990s, the US policy fluctuated between promoting economic engagement and addressing concerns over human rights and IPR. Noticeably, during the 1990s and early 2000s, the US policy was mostly unconcerned with the growth of China. The first significant response of the US to China's investments was made under George W. Bush in 2005, when the US denied the acquisition of Unocal by a Chinese company. The US concerns regarding China's rise were formalised under Obama's administration as a pivot to Asia strategy of balance and containment. Then, Trump's withdrawal from the TPP indicated a rejection of multilateral free trade deals with his 'America First' policy, followed by the trade war in 2018. The subsequent Biden administration continued Trump's approach and, in 2021, expanded the export ban list to Chinese supercomputer companies and imposed stricter restrictions on semiconductors, indicating an alignment of anti-free trade populism (Starrs & Germann, 2021).

China's entry to the WTO in 2001, following the signing of the US-China Bilateral WTO Agreement in 1999, marked a fundamental shift in the international system. The US supported China's entry on the belief that integration into the global economy would encourage political liberalisation and adherence to international norms (WTO, 1999). The early 2000s witnessed a rapid expansion of bilateral trade, with China becoming the US's second-largest trading partner by the mid-2000s. However, by the late 2000s and early 2010s, structural tensions emerged, notably regarding China's trade surplus, currency policies, and state-led economic model. These tensions ended in a more antagonistic way during the Trump administration, particularly with the imposition of tariffs. The Phase One Agreement attempted to address a range of immediate trade imbalances, mainly through managed purchases and commitments on intellectual property. However, it failed to resolve deeper structural concerns, such as the role of SOEs, persistent issues of market access and forced technology transfer, and China's limited compliance with key WTO transparency obligations (Bown, 2021). The Phase One Agreement reflects a broader US strategy of confronting China through selective, enforcement-oriented instruments rather than sustained institutional engagement, illustrating how domestic pressures and perceptions of economic insecurity have resulted in a more confrontational approach (Interview 18).

For more than half a century, the US has provided regional leadership and public goods, a role established in the aftermath of WWII. But now, that perception and leadership are being significantly challenged by China's rapid economic and political rise as well as its actions, by changing dynamics in the region, and by Washington's own inconsistent policies (Allison, 2017). Domestic factors often influence perceptions of a China threat, specifically within the US policy community. It should be noted that there was limited research into how these perceptions affected policymaking or evolved in response to China's rise. Scott (2008) argues that studies of the US responses to China's rise tend to speculate about events and developments that could potentially happen instead of explaining events that have recently transpired. While descriptive works by Suettinger (2003) and Tucker (2001) provide valuable perspectives on the evolving US policy towards China, their analyses lack a comprehensive understanding of the structural or domestic factors that shaped those policy shifts. Significantly, this lack of explanatory depth reinforces the need for a more systematic investigation into how the US trade strategy towards China has evolved in response not only to China's rise but also to shifting domestic priorities and institutional pressures. Importantly, this is an analytical gap that this chapter aims to address.

The economic relationship between the US and China is one of the most significant changes in the contemporary IPE. Since China's entry to the WTO in 2001, bilateral trade between the two countries has expanded dramatically, transforming China into the largest trading partner of the US while positioning the US as one of China's most critical export markets (Hopewell, 2019). However, this deep economic interdependence has not alleviated geopolitical tensions, but it has intensified them, highlighting the link between economic integration and strategic competition. The US trade policy towards China has demonstrated an interplay between liberal economic principles and protectionist trends, reflecting the needs of fostering economic growth and protecting national security. The early 2000s witnessed a broadly accommodative approach by the US, driven by the assumption that integrating China into the global economy would promote liberal reforms and align China more closely with the existing international order. This optimism was later replaced by concerns about China's state capitalism, intellectual property theft, and the perception that market access was not mutual (Breslin, 2021).

Under the Trump administration, these tensions ended in a trade war, with the US imposing tariffs on over $360 billion worth of Chinese goods. The Trump administration justified these measures under Section 301 of the Trade Act of 1974, citing unfair trade practices, illegal activities and theft of American trade secrets as key complaints. The trade war represented a significant departure from previous US policy, emphasising economic decoupling and indicating a shift towards strategic competition (Bown, 2021). The Biden administration has largely maintained this approach, albeit with a greater emphasis on multilateralism and coalition-building to counter China's influence.

### 5.3.2 Economic Interdependence and Strategic Rivalry

Despite the intensification of trade conflicts, economic interdependence between the US and China remains a defining feature of their bilateral relationship. Significantly, China plays a critical role in global value chains, serving as both a major exporter of manufactured goods and an importer of high-tech components and agricultural products. For the US, China's vast consumer market offers substantial opportunities for American firms, while the low-cost production capabilities of Chinese manufacturers have contributed to price stability in the US domestic market (Hopewell, 2019).

This interdependence, however, is undermined by vulnerabilities. The COVID-19 pandemic exposed the dangers that come with overdependence on Chinese supply chains, incentivising a movement within the US for reshoring critical industries and diversifying trade partners. At the same time, China's ambitions to achieve technological self-sufficiency, particularly in sectors such as semiconductors and artificial intelligence, have intensified the US concerns regarding the potential of losing its technological power (Bown, 2021). These factors highlight the inherent contradictions of economic interdependence in the context of strategic competition, where mutual economic benefits coexist with deep political and security tensions.

### 5.3.3 China's State-Driven Economic Model

Importantly, a key point of contention in the US-China trade relations arises from the structural differences between their different economic systems. While the US operates within a largely market-driven framework, China's state-capitalist model features significant state intervention in key sectors, extensive use of subsidies, and strong support for national champions (Huang, 2024). This structure challenges the liberal economic principles underpinning the global trade regime, creating friction with the US policymakers who view these practices as non-compliant with the WTO rules.

China’s BRI illustrates its state-driven approach, leveraging state-subsidised investments and infrastructure projects to expand its economic influence around the world (Garcia-Herrero & Xu, 2017). From the US perspective, the BRI is not just an economic initiative, but a geostrategic tool aimed at reshaping the global order in ways that challenge the US dominance in the international system (Breslin, 2021). Consequently, the US policy aimed to counteract China's growing influence through initiatives such as the Partnership for Global Infrastructure and Investment and enhanced engagement with allies in the Indo-Pacific (Losos & Fetter, 2022).

Notably, the US-China trade relationship captures the broader tensions of the IPE in the 21st century, where economic interdependence and strategic competition are connected. While the economic relations between the two global powers remain robust, the strategic mistrust and competing visions for the global order complicate their bilateral relations. Analysing this dynamic through the theoretical framework of IPE highlights the systemic and unit-level factors that drive the US trade policy, revealing a complex interplay of economic interests, political constraints, and strategic considerations.

While the US-China trade relationship highlights the tensions between economic interdependence and strategic competition, the EU-China relations present a different but equally complex interaction. The EU has traditionally approached China with a mix of economic pragmatism and normative ambition, balancing its role as a trading partner with its emphasis on promoting multilateralism and shared values (Christiansen, Kirchner & Wissenbach, 2019). The next section will examine the evolution of the EU-China trade relations, exploring how systemic and unit-level factors have affected their interactions and the extent to which the EU's approach diverges from or aligns with that of the US in managing China’s rapid economic and political growth.

## 5.4 EU-China Relations

### 5.4.1 Historic Context

Notably, 2025 marks the 50th anniversary of the commencement of diplomatic relations between China and the EU. In recent years, the EU's promotion of de-risking against China and the politicisation of economic and trade issues have caused friction in their trade relations. In the last fifty years, trade volume between the EU and China has grown significantly, with bilateral trade in goods increasing from about $3 billion to nearly $800 billion. Simultaneously, the trade structures of the EU and China are highly complementary, and the competitiveness of Chinese products in China-EU trade has greatly risen recently, being each other's second largest trading partner. From 2020 to 2022, China surpassed the US as the EU's largest trading partner. Among EU member states, Germany, the Netherlands, France, Italy, and Spain are China's traditional trading partners (Ling, 2025). The EU-China relationship is one of the most important in global politics, both being major powers in the international system, accounting for about 30% of international trade and almost 25% of the global population. Although there are several differences in their political systems and values, China and the EU have regular interactions across multiple levels (Christiansen, Kirchner & Wissenbach, 2019).

The EU's trade relationship with China also has deep historical roots, but it has been shaped by different priorities and institutional factors compared to the US. The EEC and China first established formal diplomatic relations in 1975, and in 1985, they signed the China-EU Trade and Cooperation Agreement, which paved the way for the China-EU Comprehensive Strategic Partnership in 2003. In 2007, the China-EU High Level Economic and Trade Dialogue began aiming to institutionalise economic cooperation and regulation of international trade and investment issues. The EU has not pursued a bilateral free trade agreement with China, although negotiations for a CAI began in 2013 and were concluded in principle in December 2020. More specifically, negotiations for the CAI, which ended in a preliminary agreement in December 2020, aim to enhance market access and protection for the EU investors in China. While the CAI shows a deepening of economic integration, its ratification has faced delays due to concerns regarding human rights and market access (Egger, 2021).

Throughout the 1990s and 2000s, the EU adopted a strategy of constructive engagement with China, focusing on promoting market liberalisation, human rights, and the rule of law, alongside expanding trade and investment relations. The EU was a strong supporter of China's entry to the WTO and tried to strengthen bilateral relations through sectoral dialogues and cooperation platforms. However, as China's economic model evolved towards greater state interventionism under Xi Jinping, the EU has raised concerns over market access barriers, IPR violations, and unfair competition from SOEs. The 2019 EU Strategic Outlook has provided an interesting classification of China, suggesting that it is a cooperation partner, an economic competitor, and a systemic rival, reflecting a more cautious approach (European Commission, 2019B).

The European Commission in 1998 published a document titled "Building a Comprehensive Partnership with China", which attempted to discuss concepts of engagement by emphasising that "China's emergence as an increasingly confident world power is of immense historic significance, both to Europe and to the international community as a whole" (European Commission, 1998, p. 5). Therefore, the EU should aim at "engaging China further, through an upgraded political dialogue, in the international community" and "supporting China's transition to an open society based upon the rule of law and the respect for human rights" (European Commission, 1998, p. 4). The idea of an "all-round strategic partnership" between the EU and China made its appearance for the first time, at a bilateral level, in June 2003, by French President Jacques Chirac and Chinese President Jiang Zemin who "expressed their joint objective of promoting a multipolar world order" while the UK and China had initiated a strategic consultation system in the same year (Holslag, 2011).

The European Commission upgraded the engagement to the level of a strategic partnership by publishing a policy paper titled "A maturing partnership - shared interests and challenges in EU-China relations" in September 2003. More precisely, this policy paper stressed that shared interests should not only be pursued in bilateral relations but also in global affairs, recognising that "the EU and China have an ever-greater interest to work together as strategic partners to safeguard and promote sustainable development, peace and stability" (European Commission, 2003, p. 3).

### 5.4.2 EU-China Relations and the EU-China CAI

The EU's engagement with China has been cautious but pragmatic, reflecting a preference for structured legal dialogue and regulation over conflict. This difference highlights the extent to which the EU's internal consensus-building process and its economic interdependence with China constrain explicit geopolitical responses. Towards the end of 2020, the EU and China reached an in-principle agreement on the EU–China CAI, after seven years of negotiations (Adriaensen & Postnikov, 2022). The EU Commissioner for Trade, Valdis Dombrovskis, claimed that the agreement contains the most ambitious commitment that China has ever agreed to with a third country in terms of market access, fair competition, and sustainable development. The agreement provisions provide for non-discrimination of the EU firms vis-à-vis SOEs in China's market, transparency regarding the use of subsidies, and rules to block forced technology transfer by the EU firms. Market access for the EU firms was also improved for car manufacturing, extending to electric and hybrid vehicles. For China, the agreement formalises existing market access rights for its firms and secures market access in manufacturing and renewable energy (European Parliament, 2020).

In May 2021, the European Parliament voted to suspend the ratification of the CAI, marking a major move in the EU's trade policy towards China. As discussed in the previous chapter, the European Parliament has increasingly asserted its institutional role as both a normative and political actor in the EU trade governance, particularly in relation to human rights and labour standards. In the case of the CAI, opposition within the European Parliament concentrated on concerns regarding forced labour in Xinjiang and the inadequacy of China's commitments to ratify and implement core ILO conventions. Although the CAI had been negotiated and politically endorsed by the Commission and supported by several EU member states, the Parliament's veto power ultimately functioned as a decisive institutional constraint, underscoring the multi-level complexity of the EU trade policymaking. This stresses the strategic nature of this agreement, which is responsible for the disturbance of the bilateral relations between the EU and the US. Importantly, as the US, with the new Biden administration, tried to depend on stronger cooperation between the US and EU to address its trade conflicts with China, the completion of the EU–China Investment Treaty indicated that the EU's interests and preferences may be different from those of the US. Even with the CAI being suspended, the EU's ability to forge strong partnerships with both the US and China is a matter for further consideration (Adriaensen & Postnikov, 2022).

Trade is the cornerstone of the EU-China relations, with bilateral trade in goods reaching €586 billion in 2020, making China the EU's largest trading partner and the EU China's second largest. This deep economic integration underscores the mutual benefits derived from the partnership. The EU imports a wide variety of goods from China, including machinery, electronics, and consumer products, while exporting high-value goods such as vehicles, pharmaceuticals, and industrial machinery. Further to this, investment flows between the two powers have expanded significantly. European businesses have benefited from China's market size and its rapid economic growth, while Chinese investments in Europe have targeted key sectors, including technology, energy, and infrastructure (Eurostat, 2021).

Initiatives such as the CAI illustrate the EU's pragmatic engagement with China. The CAI aimed to address long-standing market access barriers and promote a more balanced investment relationship by tackling issues such as forced technology transfers and limited access to certain sectors for European companies (European Parliament, 2020). However, the CAI also revealed the tensions inherent in the EU-China relationship. While the agreement was considered a step towards making competition fair, it faced criticism for its limited provisions on labour and human rights. Furthermore, the EU Parliament's decision to suspend the agreement's ratification in 2021 following Chinese sanctions on European officials highlighted the challenges of balancing economic priorities with broader normative concerns (Ing & Losari, 2021).

An important element of the EU's approach towards China is its role as an economic partner and a normative power. The EU's Global Strategy emphasises the promotion of human rights, sustainable development, and multilateralism as core principles of its external engagement (European External Action Service, 2016). It should be noted that while these values shape the EU's rhetoric and strategic documents, their application to the EU–China trade relations reveals a more pragmatic reality. More specifically, the EU has prioritised market access and commercial interests, particularly when dealing with China's state-led economic model and human rights approach. For instance, despite rhetorical commitments to labour standards and environmental governance, such issues have remained secondary in the negotiation and implementation of trade agreements such as the CAI. This highlights a tension between the EU's normative approach and its policy behaviour, reflecting the structural constraints and competing interests that complicate the pursuit of values-based trade in its relationship with China (Interview 5). It is worth noting that systemic differences between the EU and China's governance models have created persistent tensions. These systemic differences are further intensified by divergent approaches to human rights, labour standards, and political freedoms (Fox & Godement, 2009).

### 5.4.3 EU-China Relations in the Context of IPE

Perspectives on China vary significantly among the EU member states. More specifically, some EU countries, such as Germany, the Netherlands, and France, support stronger economic relations with Beijing. Other countries, particularly those in Northern and Eastern Europe, such as Lithuania and Latvia, share the US's concerns about China's growing economic and political influence. Significantly, one of my interviewees highlighted that while the EU is cautious of China's increasing global power, it does not seek conflict, but it prioritises the maintenance of the existing international economic order. A hegemonic China that reshapes these norms to its advantage would pose a fundamental challenge to the EU's core principles. Consequently, while the EU's approach to China differs significantly from that of the US, it is driven by a recognition that China's expanding influence carries long-term implications for the EU's strategic and economic interests (Interview 5).

Liberal institutionalism provides a useful framework for understanding the EU's commitment to multilateralism and rule-based governance in its relations with China (Keohane, 1984). However, the limitations of institutions like the WTO in addressing China's trade practices highlight the need for complementary unilateral and bilateral strategies. HST (Kindleberger, 1973) offers additional insights into the challenges posed by China's rise. As a rising economic power, China disrupts the existing liberal order dominated by the US and its allies, including the EU. The EU's strategic initiatives, such as the Global Gateway and its emphasis on strategic autonomy, can be interpreted as attempts to adapt to this shifting power dynamic while protecting its economic and normative interests (Brinza et al., 2024). The divergence between the EU and the US confrontational approaches can be explained by both systemic and unit-level factors. While the systemic challenge of China's increasing growth affects both powers, domestic factors and policy institutions influence the perception of that challenge.

The EU's promotion of human rights and labour as well as environmental standards contrasts with China's developmental priorities, creating a structural tension that affects their economic and political engagements. Significantly, the EU-China trade relationship illustrates the complexities of managing interdependence in a multipolar world. While economic pragmatism has driven mutual benefits, systemic differences and normative ambitions create persistent challenges. It should be noted that this relationship reflects broader tensions between economic globalisation and state sovereignty, as well as the shifting landscape of global power (Christiansen, Kirchner & Wissenbach, 2019).

## 5.5 Domestic-Systemic Interplay in the EU and US Trade and Relations with China

This section examines how the systemic and domestic interactions impact the EU and the US policies towards China, highlighting the convergence and divergence in their strategies. In the last ten years, both the US and the EU have significantly increased their engagement in East and Southeast Asia, mainly due to China's growing economic and geopolitical influence. My interviewees emphasised that this engagement is influenced by different strategic considerations. Significantly, the US views its presence in the region as a way of counterbalancing China's rise, while the EU approaches East Asia through economic diplomacy. During Obama's presidency, the US aimed to strengthen its network of regional allies and enhance its presence through initiatives such as the "Pivot to Asia," which aimed to reinforce both economic and security ties. However, my interviewees noted that the US has been cautious about directly confronting China on a geostrategic level, preferring alliance-building as a mechanism for managing China's power (Interview 4; Interview 18).

Over the last ten years, the EU has actively pursued trade agreements with major regional actors, such as Japan, South Korea, and a few ASEAN states, reflecting a strategy of diversifying economic partnerships while avoiding strategic competition with China. The EU has maintained a position of economic pragmatism, aiming to deepen bilateral and multilateral relations without positioning itself as a competitor to China. While the US has consistently linked trade with security, particularly in the context of supply chain resilience and strategic decoupling, the EU has been more cautious, focusing on economic engagement (Interview 14; Interview 19). A key takeaway from my interviews is that East Asian nations do not wish to be drawn into the strategic competition between the US and China, but they seek partners beyond the US and China to ensure economic stability and strategic flexibility. The EU fits this role effectively, as it does not present itself as a security actor in the region but instead offers economic opportunities (Interview 5; Interview 8; Interview 13; Interview 17; Interview 19).

### 5.5.1 Systemic Drivers: The Challenge of China's Rise

At the systemic level, the rise of China as a global economic and geopolitical power is the challenge shaping the EU and US trade relations with Beijing. Significantly, China's growth is characterised by its integration into global markets, the expansion of its technological capabilities, and its assertive foreign policy through initiatives such as the BRI. For the US, China's economic rise threatens its hegemonic position in the international system, while the EU views China's growing influence as a disruption to its multilateral and rules-based global order (Interview 15).

China's role as an important economic partner and a systemic competitor creates a dilemma for both the EU and the US. Importantly, systemic pressures, including the need to secure access to Chinese markets while mitigating dependence on critical supply chains, have pushed both powers to adopt policies that balance engagement and containment. However, these pressures are mediated by different domestic political and institutional contexts, resulting in significant differences in their approaches towards China. According to my interviewees, China's strategic ambition in East Asia is to establish itself as the regional hegemon. This objective goes against the long-term US policy, which, since the end of WWII, has been focused on preventing any nation from achieving regional hegemony in East Asia. My interviewees explained that China's approach is influenced by its historical size and influence, leading to an expectation that other countries in the region should align with its interests and strategic direction (Interview 13; Interview 14).

Despite the fact that the EU is not a main strategic player in East Asia, European businesses have attempted to mitigate risks associated with economic reliance on China. Significantly, the concept of "de-risking" has been the cornerstone of the EU trade policy, reducing exposures related to supply chains and critical resources linked to China (Brinza et al., 2024). My interviewees suggested that the conflict between the US and China puts many East Asian countries in a difficult position because they aim to maintain economic relations with China and, at the same time, rely on the US security guarantees. While the US and China have stated that East Asian states do not need to choose sides, the pressures created by the US-China competition push these countries into a difficult strategic position. It should be noted that this strategic competition is not just a constraint, but it creates strategic opportunities for East Asian nations, enabling them to extract greater economic and security benefits from both the US and China. As Washington and Beijing attempt to deepen their engagement with East Asia, the regional states can leverage their position to negotiate more favourable trade agreements and security commitments (Interview 13).

Furthermore, my interviewees pointed out that China's aggressive approach in the South China Sea has increased tensions and concerns about China's strategic objectives in the region. My interviewees suggested that China's actions reflect a long-term strategic vision, with its current policies being part of a plan that has been in place for decades (Interview 14; Interview 19). One of my interviews explained that China and the US are like "parents who are fighting," while the rest of the East Asian countries are like "children" trying to navigate the conflict, trying to avoid being forced into a choice between the two powers. Instead, the East Asian nations prefer both the US and China to remain engaged in the region, allowing them to maximise economic potential and maintain geopolitical stability (Interview 15).

### 5.5.2 US-China Trade Relations: Domestic Drivers and Systemic Constraints

In the US, domestic political and economic factors strongly influence its competitive approach towards China. The Trump administration's trade policy with China, characterised by tariffs on hundreds of billions of dollars of Chinese goods, was driven by domestic political imperatives to address long-standing grievances over trade deficits, intellectual property theft, and the offshoring of manufacturing jobs. Rising anti-China sentiment among the American public and bipartisan support for policies aimed at countering China's technological and economic advancements further accelerated these trends. According to my interviews, domestic politics has become a constraint on the US trade policy. Over the past few decades, income inequality and economic difficulties have weakened support for globalisation. More specifically, many who once supported free trade have become dissatisfied due to job losses and wage stagnation. As a result, the US currently shows little interest in pursuing further trade liberalisation or joining new trade agreements (Interview 12; Interview 13; Interview 16).

My interviewees also noted that, despite differences in rhetoric, there is substantial continuity between the Trump and Biden administrations regarding trade policy. To be more specific, the Biden administration emphasised alliance-building in order to counterbalance China, but it maintained protectionism. However, the Biden administration's focus on supply chain resilience is a key distinction compared to the Trump administration, being a matter of national security instead of just economic policy (Interview 13). China's increasing dominance in sectors such as artificial intelligence, telecommunications, and semiconductors has increased the US concerns over economic and national security. These concerns have resulted in measures such as export controls on critical technologies and the establishment of the CHIPS and Science Act to strengthen domestic semiconductor production (Interview 18Notably, the systemic pressures of great power competition are reinforced by domestic lobbying from industries and interest groups affected by China's trade practices and policies. For instance, the American Chamber of Commerce in China has consistently raised concerns about market access barriers, a non-market approach to trade and economy that includes China's industrial policies, state subsidies, and the imposed transfer of technology, shaping the US trade policy priorities (USTR, 2022).

The US has adopted an antagonistic approach to reduce China's capacity for providing state subsidies and engaging in industrial policies, making economic decoupling and containment central elements of its China strategy. Under the Biden administration, the US trade policy has been influenced by the competition with China and the need to address domestic labour concerns. An aggressive FTA agenda designed to build economies of scale across the Indo-Pacific region would be necessary in order to respond effectively to the challenges China poses. However, the US has been unwilling to pursue new FTAs due to domestic political opposition to trade liberalisation, a trend that has persisted across both the Biden and Trump administrations (Interview 18).

A key move away from using trade agreements as instruments of foreign policy happened under Trump's first administration, with the withdrawal from the TPP being a strong indication. More significantly, the TPP was criticised due to its focus on the exclusion of China rather than prioritising economic development and job creation. Trump's trade agenda focused mainly on domestic economic considerations and not on the geopolitical strategy. Trade agreements were framed mainly as instruments for job creation and economic self-sufficiency instead of maintaining the US influence in global trade governance (Interview 16; Interview 18).

### 5.5.3 EU-China Trade Relations: Balancing Pragmatism and Normative Ambitions

The EU's approach to China is shaped by its institutional structure and normative commitments, which mediate systemic pressures in unique ways. Unlike the US, the EU's trade policy is formulated through a complex interplay between member states, the European Commission, and other supranational institutions. This fragmented governance structure often results in a more cautious and pragmatic approach to systemic challenges posed by China. Systemically, the EU faces similar pressures to the US, including China's dominance in global value chains and its state-led economic model. However, the EU's response is tempered by its dependence on China as a key trading partner. In 2022, China was the EU's largest importer and its second-largest export destination, highlighting the economic interdependence between the two actors (Xiaotong, 2024). This dependence complicates the EU's ability to adopt a competitive approach similar to that of the US.

Different perspectives among the EU member states further limit a unified approach towards China. To be more precise, Germany has often prioritised economic engagement with China due to its trade surplus, but Lithuania and the Czech Republic have adopted a more critical stance. These domestic divergences indicate the challenge of balancing pressures with the EU's domestic heterogeneity. Further to this, normative factors play a significant role in shaping the EU's trade policy towards China. The EU's perception as a normative power is reflected in its trade negotiations with China. Specifically, the CAI included provisions aimed at improving labour and human rights and ensuring a uniform means of operation for European businesses across China. However, China's resistance to these normative demands has limited the EU's ability to enforce these commitments (Interview 5).

### 5.5.4 Geopolitical Dimensions of Trade Policy

The interplay between domestic and systemic factors goes beyond economics to the geopolitical sphere. For the US, trade policy is increasingly viewed through a geopolitical lens, with China framed as a strategic rival in the Indo-Pacific. Initiatives such as the IPEF and the Quad partnership reflect the US's attempt to counter China's influence through regional alliances and economic partnerships (Cimino-Isaacs et al., 2024; Curtis et al., 2025). These systemic strategies are driven by domestic considerations to reassure allies and demonstrate the US leadership in the region.

For the EU, geopolitical considerations are more nuanced. While the EU acknowledges China as a systemic rival, its approach is shaped by its preference for multilateralism and its commitment to strategic autonomy, by building its capacity and ability to act as a geopolitical actor. The EU's Global Gateway initiative, launched as an alternative to China's BRI, illustrates its attempt to assert its influence in global infrastructure development while maintaining a cooperative approach with Beijing (Brinza et al., 2024). This approach reflects the systemic pressures of competition with China, mediated by the EU's domestic and institutional constraints.

The interplay between domestic and systemic factors is central to understanding the trade and economic relations between the EU, the US, and China. While systemic pressures such as China's economic rise and the shift towards multipolarity drive both actors to adapt their policies, domestic political, economic, and institutional factors mediate these responses in different ways. The US approach reflects its domestic political climate and systemic concerns over China's challenge to its hegemonic position, while the EU's more cautious and pragmatic approach highlights the influence of its institutional structure and normative commitments (Xiaotong, 2024). These considerations underscore the complexity of trade relations in the international system, where domestic and systemic factors are intricately linked.

According to my interviewees, China utilises its economic policy as a tool to achieve its political objectives. Although in recent years tensions between the US-China and EU-China relations have increased, mutual economic dependency is still high. For instance, the EU relies on China for critical raw materials and supply chain inputs, while China remains dependent on European technological resources and advanced manufacturing components. Despite increasing concerns over economic overreliance, complete decoupling is not possible. However, both the US and the EU have focused on strengthening economic bonds with China's neighbouring countries to diversify supply chains and reduce vulnerabilities. This not only moderates dependency on China but also improves economic and security cooperation with regional partners (Interview 5; Interview 12).

## 5.6 Comparative Analysis of the EU and US Trade Policies Towards China

The trade policies of the EU and the US towards China reflect fundamental differences in strategic objectives, institutional frameworks, and economic governance. While both actors recognise China as a key economic partner and systemic rival, their approaches to trade agreements, regulatory engagement, and broader economic diplomacy diverge significantly. This section provides a comparative analysis of the EU and the US strategies, focusing on their trade policy instruments, regulatory paradigms, and strategic considerations.

The EU has consistently pursued a multilateral and rules-based engagement strategy, emphasising the importance of integrating China into global trade governance structures. This approach is rooted in the EU's broader commitment to multilateralism, illustrated by its strong support for the WTO and its insistence on WTO-compliant trade agreements. While the EU's trade policy towards China is often framed as regulatory-driven and based on multilateral norms, such descriptions risk overlooking the strategic considerations and internal contradictions that underpin its approach. Although the EU has attempted to promote adherence to global trade rules in areas such as IPR, market access, and state subsidies, its engagement with China has also reflected a complex balancing act between normative aspirations and economic pragmatism. In practice, the EU's commitment to multilateralism has often been moderated by member state interests and institutional constraints, raising questions about the coherence and consistency of its normative trade agenda. For instance, while the EU has expressed concern over forced labour in Xinjiang, the adoption of stronger due diligence and import restrictions have been slow and inconsistent, due to resistance from certain member states which have close economic relations with China. Further to this, divisions have emerged over the EU's response to Beijing's assertive trade practices, such as its use of economic coercion against Lithuania, highlighting the difficulty of maintaining a unified and values-based trade policy when member state interests diverge (Brinza et al., 2024).

The lengthy and ultimately suspended negotiations over the CAI illustrate these tensions in practice. Although never ratified, the CAI process revealed significant challenges and major points of contention in the EU–China trade relations. More specifically, these included China's reluctance to ratify and implement core ILO labour conventions, ongoing concerns about market access limitations in sectors dominated by SOEs, and the lack of robust enforcement mechanisms (European Parliament, 2020). These areas of disagreement reflect deeper structural divergences between the EU's rules-based approach and China's state-capitalist model. In addition, they underscore the EU's difficulty in aligning its normative trade objectives with the economic and geopolitical complexities of engaging a systemic competitor.

The US has adopted a more confrontational approach than the EU, particularly under the Trump and Biden administrations. Significantly, since Trump, the US has aligned electoral grievances around job losses with the interests of the national security establishment, identifying China as a strategic competitor. The US-China trade war marked a fundamental shift in the US trade policy, emphasising economic decoupling, tariffs, and strategic protectionism (Starrs & Germann, 2021). In contrast to the EU’s approach, the US has largely moved away from multilateral trade negotiations involving China and has pursued a policy of direct pressure through bilateral negotiations, as seen in the Phase One Trade Agreement. Importantly, this agreement primarily focused on China's commitments to increase purchases of US goods and services, address intellectual property concerns, and reform certain state-driven economic policies (Congressional Research Service, 2025). However, its impact remains contested, as China failed to meet its Phase One purchase commitments while structural issues in US-China trade relations persisted (Lawder & Shalal, 2022).

Another primary area of divergence is the regulatory approach and economic governance framework that underpins the EU and the US trade policies towards China. The EU has been self-declared as a normative power, using regulatory instruments to shape global trade practices. The EU’s emphasis on the "Brussels effect", where EU regulations influence global standards and regulate global markets (Bradford, 2020), has been evident in its operations with China. For instance, the EU’s investment screening mechanisms, introduced under the EU Foreign Direct Investment Regulation, reflect an effort to balance economic openness with security concerns regarding Chinese investments in strategic sectors (OECD, 2022).

On the other hand, the US approach has been characterised by a more aggressive approach towards Chinese technological and industrial policies. The US has implemented comprehensive export controls and investment restrictions targeting Chinese firms, particularly in strategic sectors such as semiconductors and artificial intelligence. The CHIPS and Science Act of 2022, which aims to strengthen domestic semiconductor manufacturing while limiting China's access to critical technologies, underscores this approach. The EU, while sharing concerns over China’s technological ambitions, has followed a more balanced approach, mitigating risks without entirely severing economic relations (Zhang, 2023).

It should be noted that geopolitical factors play a critical role in shaping the trade policies of both the EU and the US towards China. Importantly, the US approach is heavily influenced by its strategic rivalry with China, particularly in the Indo-Pacific region. The US trade policy is closely aligned with its broader security objectives, as demonstrated by initiatives such as the IPEF, which seeks to counterbalance China's economic influence in Asia. The US's use of trade policy as a tool of geopolitical competition is also reflected in its efforts to build economic coalitions, such as the CHIPS Alliance with Japan, South Korea, and Taiwan, aimed at countering China's dominance in semiconductor supply chains (Xiaotong, 2024).

There is an increasing number of concerns in Washington and Brussels regarding the position of China within the international system. More specifically, they are questioning China's willingness to adhere to the current international order, as China has frequently challenged the existing status quo and attempted to introduce an entirely different ideology (Beeson, 2009). According to Brown (2018, p.18), "the evolution of US and EU-China relations cannot be completely separated from the evolution of the transatlantic relationship itself". The relationship is characterised by that "structural" strategic dimension, which is elusive in the EU-China relations (Brown, 2018).As far as the EU is concerned, it has been slower than the US to respond to China's growth and challenges, and maintains a more nuanced stance, balancing economic engagement with strategic caution (Starrs & Germann, 2021). While the EU has acknowledged China as a "systemic rival" in its official policy documents, it has refrained from fully aligning with the US's aggressive approach. The EU's concept of "de-risking," rather than decoupling, illustrates its attempt to reduce dependency on China in critical sectors while avoiding full economic disengagement. This is evident in the EU's push for supply chain diversification and the Global Gateway initiative, which is an alternative to China's BRI (Brinza et al., 2024).

The EU is not an active player in East Asia compared to the US, both in economic and strategic terms. More specifically, the US is the main market for East Asian exports, exerting substantial influence over global supply chains and regional trade flows. On the other hand, the EU's trade engagement with East Asia does not match the depth of economic interdependence that characterises the US-East Asia trade relations. Additionally, the EU lacks the security commitments and military alliances with key East Asian states that strengthen the US presence in the region (Interview 12).

When China joined the WTO in 2001, several East Asian countries were concerned regarding China's strategic ambitions and the potential economic and geopolitical implications for the region. My interviewees emphasised that China's decision and incentives to pursue an FTA with the ASEAN states were driven mainly by political reasons rather than economic interests. By establishing the ACFTA, China's main objective was to reassure the neighbouring countries that its rise would not pose a threat to regional stability. Despite these efforts, many East Asian nations continue to maintain stronger political and security relations with the US, a legacy of Cold War-era alliances in which most of these states aligned with the US against the Soviet Union and, to some extent, China (Interview 12; Interview 20).

According to my interviewees, China's long-term strategic objectives go beyond East Asia. Despite the fact that China positions itself as a regional power, its influence has already extended beyond Asia, setting its status as a global power and a direct challenge to the US hegemony, influencing the international system. In contrast to the US, the EU operates from a position of significant uncertainty. Importantly, the EU is a regional power and a unitary actor in trade but a fragmented entity in foreign policy and lacks the capability and the collective political will to confront China (Interview 5; Interview 13; Interview 14).

Market access and industrial policy are other areas of divergence. The US has prioritised reshoring and industrial policy to reduce reliance on Chinese manufacturing. The Inflation Reduction Act of 2022, which provides subsidies for domestic clean energy production, is an example of this trend, with specific provisions to limit Chinese supply chain involvement (Ramseur, 2023). The EU, while increasingly adopting industrial policy tools, has been more willing to engage with China in sectors where mutual interests align. The CAI illustrates the EU's attempt to expand market access while addressing structural imbalances in the EU-China trade relations. However, increasing concerns regarding China's economic coercion and human rights violations have led to a more cautious EU position, including new legislative measures to counter unfair trade practices. The divergence between the EU and the US policies and strategies towards China can be explained by the different forms of economic integration between the US and China, and between the EU and China. In addition, the different social interests that underpin their respective integrations also explain the divergence between the EU and the US responses towards China. In the US, concerns regarding China's rapid growth and influence were cultivated within the national security establishment, which views China's challenge geopolitically, and the Trump administration drastically changed the US policies and strategies towards China. It should be noted that the EU and the US approaches depart from realist interpretations that consider China as another instance of great power conflict (Starrs and Germann, 2021).

## 5.7 Conclusion

This chapter has examined the evolving trade and geopolitical dynamics between China, the US, and the EU, highlighting how both systemic and domestic factors have influenced their trade policies and strategies. The findings suggest that despite China's economic and political growth has affected the regional and global trade system, the responses of the US and the EU diverge significantly. To be more precise, the US-China relationship has been characterised by economic decoupling, strategic competition, and a shift away from trade liberalisation, as demonstrated by the policies of recent administrations (Zhang, 2023). The US position, influenced by domestic economic concerns and electoral politics, reflects a consensus that China must be contained economically and strategically. On the other hand, the EU has tried to balance economic engagement with China while at the same time moderating the risks through its de-risking strategy (Brinza et al., 2024). This comparative analysis reveals that the EU and the US approaches remain shaped by different domestic considerations, a pattern that has also been observed in the case studies of South Korea and Japan.

It should be noted that the findings from the interviews add original insights into these policy dynamics, particularly regarding the degree to which domestic political changes in the US have constrained trade policymaking, leading to a strategic realignment rather than an economically driven trade policy agenda. The interviews highlight that, while the Biden administration has attempted to rebuild alliances aiming to counterbalance China, the trade policy remains mainly protectionist and security-oriented, reflecting continuity rather than departure from the Trump administration. In a similar vein, interview findings suggest that China's regional and global trade strategies remain political, aiming to establish its hegemonic role in East Asia while maintaining strategic flexibility in its global economic and trade engagements. This highlights that PTAs in East Asia are not just economic instruments but are shaped by deeply embedded geopolitical and strategic considerations. The case of China illustrates how trade policy has been used as a tool for increasing political influence, forcing countries in the region to align themselves with either the US or China.

This chapter has demonstrated how competitive interdependence, strategic considerations, and the interaction between domestic and systemic factors shape trade policy outcomes in East Asia. The findings from this chapter build on the previous case studies of South Korea and Japan by showing that China's economic and political influence has not only changed regional trade dynamics but has also redefined the strategies of the US and the EU. This chapter contributes to a more in-depth understanding of how trade policy is embedded in the broader political economy of East Asia, reinforcing the importance of both systemic and domestic-level explanations in shaping trade policies and strategies.

Both the US and the EU adjust their trade strategies in response to China's rise, but their policies are different. To be more precise, the EU's approach is pragmatic, whereas the US response has evolved into a confrontational approach shaped by domestic political polarisation and the framing of China as a systemic competitor. These different responses indicate how systemic pressures are filtered through distinct domestic political and institutional considerations.

Although system-level explanations account for the increasing politicisation of trade and the erosion of the separation between economic and security concerns, they cannot explain the divergent directions of the EU and the US trade policies towards China. Realism explains the strategic competition, particularly in the US case, but offers a limited explanation regarding the reasons the EU has pursued a more calibrated approach focused on regulation and risk management. Liberal institutionalism explains the EU's reliance on rules and governance mechanisms, but it underestimates the degree to which domestic political debates and institutional fragmentation determine trade policy directions. The empirical findings of this chapter underline the importance of domestic political structures, ideas, and interests in mediating systemic pressures, confirming that trade policy outcomes are dependent on domestic political and institutional considerations.

# Chapter 6: Conclusions

The purpose of this thesis was to examine the political drivers of PTAs and to investigate the convergences and divergences in the US and the EU trade strategies in East Asia from 2001 onwards, a period that has witnessed a rapid growth of PTAs followed by a slowdown in their expansion. This timeline was chosen because the early 2000s marked a turning point in the global trade system, which was influenced by the collapse of the Doha Round multilateral negotiations that created a lot of uncertainty and the shift towards regional and bilateral PTAs, and by China's entry into the WTO. These developments were particularly relevant for the South Korea case, where the rise of PTAs reflected this shift. However, they became less significant in the subsequent period. By the time the EU and the US engaged more substantively with Japan and China, the factors driving their trade strategies had moved beyond the effects of multilateral stagnation and China's entry to the WTO, leading to a more divergent phase driven by domestic politics, strategic readjustment, and the deceleration of trade liberalisation. Against this backdrop, the research question was formulated considering that the period under review does not represent a continuous phase of trade activism. Rather, it spans both the proliferation of PTAs and their subsequent slowdown. The main research question of the thesis was why the EU and the US appeared to pursue similar trade strategies towards South Korea, but very different ones when it came to Japan and China.

Many scholars assume that the EU and the US trade policies and strategies in East Asia were driven by competitive liberalisation, but this thesis challenges this assumption. Although both systemic and domestic considerations were important, the EU and the US responded to these factors independently, without reacting to each other's moves. Therefore, this thesis contributes not only to considering both systemic and domestic factors, but also to showing that these considerations do not lead to strategic competition between Brussels and Washington. Most of the literature on competitive liberalisation was written before, during, or just after the Korea FTAs were concluded. However, writing in 2025 allows these agreements to be situated within a longer timeframe and interpreted in light of subsequent developments, notably the dramatic slowdown in FTA negotiations. This thesis demonstrated that neither systemic nor domestic explanations alone were sufficient. Instead, it showed that it was the interaction between systemic pressures and domestic considerations that affected the trade strategies of the US and the EU in terms of their relations with CJK.

The methodology of the thesis was closely aligned with this aim. By combining qualitative analysis of primary sources and elite interviews with close examination of policy documents, the thesis aimed to capture both the formal and informal political drivers of the EU and the US trade policymaking. This methodological approach was essential in discovering the domestic factors and strategic considerations that affected policy choices. Further to this, the thesis drew on the extensive secondary literature, which predominantly focuses on the 'active' phase of the EU and the US bilateralism, but went beyond this through extensive interviews with a range of policymakers and trade experts.

The rationale for focusing on East Asia went beyond its rapid economic growth to incorporate its identity at a strategic crossroads where geopolitical tensions and trade networks intersect. Therefore, the selection of CJK was made to cover a diverse range of experiences. More precisely, South Korea as a middle power navigates between competing pressures; Japan as an advanced economy readjusts its trade policy among domestic and systemic constraints; and China as a global power whose growth has deep implications for regional and global trade governance. Significantly, the case studies reflected a clear temporal dimension, as they straddled the different phases of the PTA debate, with South Korea situated in the active phase, and Japan and China in the de-escalated or reactive phase, which allowed the thesis to capture how policy behaviour shifts across changing periods of trade activism. These cases illustrated the diversity of the EU and the US responses in East Asia, offering a comparative basis for examining the argument of the thesis.

It should be noted that the inclusion of China was not only based on its economic importance but also on its importance in reframing the strategic environment for both the US and the EU. Despite the fact that the US readjusted its trade policy from engagement to containment, the EU tried to balance market openness with protective measures and a cautious engagement. These distinct responses highlighted the broader contribution of this thesis, demonstrating that trade policy cannot only be explained as systemic competition, but it must also be situated within domestic institutional contexts.

The theoretical and conceptual debates of the thesis were developed through a combination of systemic and domestic perspectives. This framework has been important for situating the empirical investigation, as it allowed the thesis to examine how these perspectives help to explain the factors driving the EU and the US trade strategies in East Asia. Revisiting these debates here is essential to show how they underpinned the argument that single-level explanations were not sufficient for understanding and explaining the divergences across the South Korea, Japan, and China cases.

## 6.1 Theoretical Reflections and Contributions

### 6.1.1 System-Level Explanations and Trade Politics - Realism

The thesis tested the core assumptions of the theories across the three case studies. Significantly, the expectation of realism that PTAs in East Asia would reflect strategic competition between the EU and the US trade policies was partially supported (Gilpin, 1981; Gowa & Mansfield, 1993). More specifically, in the case of South Korea, the timing of the negotiations and the fact that both actors completed full FTAs created the illusion of competitive liberalisation. However, my evidence suggested that the EU and the US did not converge, but they followed independent strategies and approaches. Both the US and the EU pursued FTAs in response to internal institutional and domestic political considerations rather than a response to each other. While systemic and strategic drivers such as security and other non-economic factors were relevant, this differs from competitive liberalisation, which would imply that each actor's policy was driven primarily by the actions of the other.

The case of Japan further tested these assumptions. Importantly, what came through most clearly was the role of domestic political constraints on both actors. In the US, lobbies and congressional preferences influenced the negotiations, while in the EU, regulatory preferences and internal coordination were crucial. These factors explained the pace and structure of the EU and the US trade agreements with Japan more compellingly than systemic competition.

The China case provided the strongest challenge to HST. Kindleberger's (1973) argument about the need for hegemonic leadership, and contributions by Gilpin (1981) and Strange (1987) clarify the international environment in which the US and the EU operate. In this context, hegemonic leadership refers to the ability and willingness of the global hegemon to sustain an open and rule-based international trade system by providing public goods while integrating China's rapid economic and political growth. However, the thesis showed that the US and the EU adopted different policies towards China. The US shifted from engagement to confrontation, and the EU attempted to maintain openness while introducing protective measures. This divergence was primarily shaped by domestic factors and institutional preferences rather than the decline of the US hegemony. While HST was useful for explaining why multilateralism declined and PTAs expanded, it did not fully explain the different trade policies of the EU and the US.

### 6.1.2 The Contribution of Liberal Institutionalism

Liberal institutionalism focuses on the role of organisations in maintaining cooperation despite anarchy, reducing uncertainty, and creating rules (Keohane, 1984). Importantly, PTAs should be intended to serve as regional institutional arrangements that lock in commitments and help states pursue deeper integration. The empirical findings, however, showed that liberal institutionalism could not explain the divergences of the US and EU trade policies and strategies towards CJK.

In the South Korea case, liberal institutionalism would expect the EU and the US to negotiate and conclude FTAs based on rulemaking and cooperation. Notably, the EU's FTA with South Korea fits this logic as it followed a clear template, emphasising regulatory coherence, long-term economic integration, and legally binding commitments. Nonetheless, the US approach did not align with liberal institutionalism. Significantly, KORUS was shaped mainly by domestic conditions, specifically the post-9/11 context and the temporary alignment of congressional and sectoral interests, rather than an effort to institutionalise cooperation.

In the case of Japan, liberal institutionalism would expect convergence between the US and the EU around comprehensive, rules-based trade agreements. Nevertheless, the US and the EU followed different directions. The EU concluded a comprehensive EPA that supported its long-standing institutionalist strategy, while the US concluded narrower, sector-specific agreements that lacked deeper institutional features. This divergence was better explained by domestic political constraints, particularly congressional resistance in the US, than by institutionalist rationales. Therefore, the Japan case study demonstrated that institutions alone did not drive alignment in trade policy choices.

The China case illustrated the gap between liberal institutionalist expectations and actual outcomes. While the institutional architecture of international trade should, in theory, maintain cooperation even during hegemonic decline (Keohane, 1984), the US shifted towards confrontation, protectionism, and decoupling. The EU maintained some commitment to rules-based engagement, but its approach was influenced by domestic political pressures and security concerns.

### 6.1.3 Domestic-Level Approaches: Interests, Institutions, and Ideas

The thesis applied OEP's three dimensions, interests, institutions, and ideas, to examine the US and the EU trade policies across CJK. The interests dimension was useful in identifying which domestic factors affected trade outcomes. In the KORUS FTA, the US policy was heavily influenced by sectoral lobbying from agriculture, pharmaceuticals, and digital services, while Congress acted as a veto player, constraining the executive's trade agenda (Betz, 2017). On the other hand, the EU's approach reflected a commercial orientation, with exporters and business associations supporting deeper market access under the GE strategy. This showed that even when trade objectives appear similar, the domestic interests and factors driving trade policy are different between actors. Significantly, this reflects different models of political delegation. While the EU's trade policymaking process appeared to be more resistant to interest group pressure and to changes in political context, in the US, the delegated trade policymaking model is imperfect, permeable to interest group pressure, and subject to hyper-partisanship in Congress.

The institutions dimension allowed for an assessment of how these interests were aggregated. In the case of Japan, the US faced strong domestic resistance due to congressional authority and procedural constraints, which limited the scope and depth of the agreements. The EU, operating through the Commission and Council structures, could pursue comprehensive FTAs with relative insulation from short-term political pressures, enabling more consistent regulatory and institutional commitments. In the China case, institutional mechanisms influenced the US and the EU approaches in different ways. Importantly, the EU relied on de-risking strategies, although the European Parliament's role as a veto player, particularly regarding human rights and labour as well as environmental concerns (Brinza et al., 2024), constrained the pace and scope of CAI. Similarly, in the US, domestic institutional constraints intensified the move towards protectionism.

Ideas enhanced the analysis by showing how beliefs and paradigms influenced trade policies. In all three cases, neoliberal orthodoxy and the commitment to rules-based trade influenced the EU strategies, reinforcing multilateralist and institutionalist approaches even when systemic pressures or domestic opposition arose (Goldstein & Keohane, 1993; Hall, 1993; Schmidt, 2011). In the US, ideas interacted with domestic political narratives, particularly the framing of China as a systemic competitor, which justified protectionist and security-driven trade approaches.

### 6.1.4 Synthesis of Systemic and Domestic Explanations

The theoretical framework of this thesis was a synthesis of system-level and unit-level frameworks. System-level theories were of paramount importance for situating trade agreements within the context of trade policy. However, I argued that the variation in PTA formations cannot be explained without attention to domestic-level analysis of interests, institutions, and ideas (Poletti & Zambernardi, 2022). This synthesis was based on the limits identified in the system-level considerations. As discussed earlier, system-level theories were useful for explaining the US and the EU trade policy within changes in the international trade order, including the rise of PTAs and the decline of multilateralism. However, the empirical analysis across the three case studies demonstrated that these approaches could not, on their own, explain divergences in trade policies.

In the South Korea case, the empirical analysis demonstrated that domestic institutional structures and interest group pressures were important in driving trade policy. The conclusion of KORUS was not the result of strategic competition with the EU, but a temporary alignment between executive authority and domestic political conditions following 9/11. Congressional acquiescence during this period, combined with lobbying from export-oriented sectors such as agriculture, pharmaceuticals, and digital services, created the circumstances in which a comprehensive trade agreement was possible. On the other hand, the EU's negotiations with South Korea were driven by the Commission's delegated authority under the GE strategy, aiming to strengthen its economic presence in a major Asian market.

As far as the Japan case is concerned, in the US, congressional veto power, sectoral resistance, and the absence of political conditions similar to the post-9/11 period, limited the scope of the trade agreements. As a result, the US moved towards sector-specific arrangements with Japan instead of concluding a full FTA. The EU concluded a comprehensive EPA with Japan, reflecting its preference for regulatory alignment and institutionalised cooperation. These outcomes demonstrated that differences in the design of trade agreements are better explained through domestic institutional considerations and interests.

The China case showed how systemic factors were interpreted through domestic political and institutional perspectives rather than resulting in convergence. Despite the fact that China's growth poses a threat to the current international system, the US and the EU acted differently. In the US, the analysis suggested how domestic political polarisation, electoral incentives, and consensus within Congress framed China as a security and economic threat. This domestic reframing resulted in trade policies focused on containment and decoupling. In contrast, the EU's response was driven by the emphasis of its institutions on regulatory governance, leading to a strategy of managed engagement and de-risking rather than conflict. In this case, domestic ideas about economic governance, risk, and strategic autonomy affected the trade policies and strategies.

From a systemic perspective, CJK served as a central point in the international trade system, situated within the broader context of the US and the EU trade strategies and East Asian regionalism (Mansfield & Milner, 2012). As Cohen (2007) argues, the shift in American IPE towards a more positivist and empirical framework indicated a desire for a greater scientific rigour and empirical accuracy, while diminishing system-level theories. This thesis synthesised the two levels, recognising that systemic dynamics of power and institutions must be considered together with domestic institutions, interests and ideas (Goldstein & Keohane, 1993).

Realism partially explained the US strategies towards China, where strategic competition and concerns about relative gains are evident. However, realism failed to explain the EU and the US trade policies towards South Korea and the EU's managed engagement with China, indicating that systemic competition alone cannot explain trade policy behaviour and outcomes in East Asia. Liberal institutionalism was more useful for understanding the EU's ability to negotiate comprehensive FTAs despite limited geopolitical incentives. The EU's institutional autonomy allowed it to maintain consistent trade objectives and regulatory alignment in Japan and South Korea, and to develop a de-risking strategy towards China. However, the EU cases also demonstrated that institutions are linked to domestic political considerations. For example, the EU's engagement was still shaped by member-state preferences, sectoral interests, and political priorities, indicating that institutions interact with domestic considerations instead of operating independently.

Domestic-level approaches, including the OEP framework, were more useful in explaining divergences across the three cases. The alignment of executive authority, congressional dynamics, and sectoral lobbying in the US led to trade agreements like KORUS, but the lack of similar circumstances in Japan resulted in more limited trade agreements. In the case of China, domestic ideas about risk, threat, strategic autonomy, and economic governance influenced how the US and the EU understood systemic pressures, resulting in different containment and engagement strategies.

Applying these theories to the case studies demonstrated their complementary value. Realism was useful in explaining strategic considerations, liberal institutionalism clarified the ability of organisations to maintain agreements, and domestic-level analysis revealed the mechanisms through which systemic pressures were translated into policy. By combining these approaches, the thesis provided a more comprehensive explanation of PTA formation and trade policy in East Asia and the reasons the EU and the US appeared to pursue similar trade strategies towards South Korea, but very different ones when it came to Japan and China.

## 6.2 Empirical Findings - Overall Patterns in East Asia

Across the CJK cases, the rise of China and the stagnation of multilateral trade negotiations set the broader context for trade policymaking. Nevertheless, these systemic factors were interpreted differently depending on domestic institutions, political constraints, and sectoral interests. Institutional structures affected the scope and flexibility of the trade negotiations. The EU's centralised trade authority enabled the Commission to pursue comprehensive trade agreements even when systemic or geopolitical incentives were limited. On the other hand, the US executive faced multiple domestic veto points, such as Congressional approval requirements, lobbying by sectoral interests, and electoral considerations, which affected the depth and scope of the trade agreements.

In the US, the pursuit of FTAs is often framed through a security or geopolitical perspective. Importantly, the KORUS FTA illustrated how post-9/11 security priorities, alignment between executive authority and Congressional acquiescence, and mobilisation of export-oriented business sectors coincided to allow the completion of a comprehensive FTA. By contrast, the EU's FTAs reflect economic and regulatory considerations, prioritising market access and alignment with EU standards, as seen in both South Korea and Japan cases. The near-parallel conclusion of the US and the EU FTAs with South Korea was the result of coincidental alignment, rather than an indication of competitive liberalisation. Divergent approaches in Japan and China further emphasise that systemic factors alone cannot explain trade policy behaviour.

These findings indicated that the EU and the US trade policies across CJK are best explained as the result of systemic factors filtered through domestic considerations. Systemic explanations, such as hegemonic stability arguments, fail to explain the divergence in the EU and the US trade policies. The empirical evidence from these three cases demonstrates that in-depth analysis requires integrating both domestic and system-level explanations, recognising how domestic institutions, interests, and ideas affect responses to systemic developments.

### 6.2.1 South Korea

The near-parallel conclusion of the US and the EU FTAs with South Korea challenges the arguments of competitive liberalisation and strategic interaction. More significantly, my findings revealed that the near simultaneity of these negotiations showed coincidental alignment driven by domestic and institutional considerations. From the US perspective, the conclusion of KORUS was integrated into the post-9/11 readjustment of the US foreign policy. Under the Bush administration, trade agreements were used as tools aiming to achieve geopolitical goals. KORUS was framed as a way to enhance a key alliance in the Asia-Pacific at a period when the US was trying to reaffirm its leadership and counterbalance China's growing regional economic and political influence. However, as the chapter's empirical analysis showed, this geopolitical narrative depended upon a temporary alignment of sectoral lobbying and domestic economic interests that made the KORUS ratification feasible. Interviews with trade policymakers and experts confirmed that the pursuit of KORUS did not emerge as a reaction to external factors, such as the EU's pursuit of an FTA with South Korea, but it emerged from the rare convergence between executive power, congressional acquiescence, and business sector mobilisation around the conclusion of a comprehensive FTA. Noticeably, the KORUS FTA represents an exception rather than an example of competitive liberalisation.

As far as the EU is concerned, the evidence suggested the independent development of its trade policy. The EU–South Korea FTA emerged from an internal reassessment of trade strategy after the failure of the Doha Round and the stagnation of multilateral negotiations. The adoption of the GE strategy marked a transition towards bilateralism, prioritising significant economic markets (Cooper et al., 2011A). Interviews with EU officials and policy experts confirmed that the initiation of negotiations with South Korea was not considered a reaction to KORUS but an extension of the EU's approach to international trade. Pressures from domestic industries for better market access and the Commission's preference for strategically targeted FTAs were the key drivers behind this transition.

South Korea was identified as a suitable partner due to its advanced economy, regulatory compatibility, and openness to bilateral liberalisation. The EU's motivation was mainly commercial and regulatory, focusing on securing beneficial market access for European producers and integrating the EU standards within an advanced East Asian economy. Interview evidence highlighted that the EU did not frame its FTA strategy in security or geopolitical terms. The EU's economic diplomacy was shaped by its institutional structure and nature as a multilateral and regulatory power, even as it adopted a more pragmatic bilateral strategy.

In addition, the EU's institutional framework enabled a more flexible approach during the negotiation process of the FTA with South Korea. Interviews revealed that, for South Korea, negotiating with the EU was more straightforward than with the US, mainly due to the absence of binding congressional mandates and the EU's willingness to accommodate mutual interests. This flexibility reflected the EU's preference for concluding economically beneficial trade agreements, being pragmatic, rather than competing with the US in East Asia. These findings support the argument that the EU and the US trade policies towards South Korea were influenced by independent internal considerations rather than strategic interaction and competition.

### 6.2.2 Japan

While in the South Korea case, both the EU and the US pursued comprehensive FTAs in parallel, with at least the illusion of competitive liberalisation, the Japan case illustrated a more substantial divergence. This divergence is a reflection of historical trajectories and the outcome of different domestic and systemic considerations influencing their trade policymaking processes. The US faced significant domestic political and institutional obstacles that restricted its ability to pursue a comprehensive trade agreement with Japan. On the other hand, the EU benefited from a more autonomous institutional approach that allowed it to turn its normative commitment to open markets and rules-based trade into a more comprehensive economic partnership with Japan through the EPA.

The empirical findings demonstrated that the divergence between the US and the EU approaches cannot be explained simply by strategic objectives. It was the interaction between domestic structures and systemic factors that resulted in the divergence of their trade agreements with Japan. In the US, the separation of powers between Congress and the executive branch, the influence of protectionist interest groups and the constraints of the electoral system resulted in a divided and complicated trade policymaking environment. This fragmentation limited the executive's ability to commit to deep liberalisation and made trade agreements subject to regular shifts depending on domestic political situations. The Obama administration's pursuit of the TPP initially attempted to reaffirm the US leadership in Asia, but domestic opposition, especially within Congress, complicated its ratification. The withdrawal from the TPP under the Trump administration was an indicator of these domestic constraints. Even under the Biden administration, trade liberalisation remained politically toxic, leading to a readjustment of the US approach towards Asia through non-binding frameworks such as the IPEF (Schoenbaum, 2023).

The EU's approach towards Japan faced fewer domestic barriers. The European Commission, particularly DG Trade, operates with a high degree of autonomy, allowing it to pursue comprehensive bilateral agreements despite evolving political conditions within the EU member states, with the EU-Japan EPA illustrating a liberal institutionalist logic. Interviews with policymakers confirmed that the EU's engagement with Japan was motivated more by the aim to strengthen economic flexibility and reinforce global governance structures, rather than by strategic competition with the US or China.

Findings from interviews with US policymakers and analysts emphasised that domestic protectionist pressures, particularly from the automobile and agricultural sectors, were significant barriers to the conclusion of a US-Japan FTA. The strict legislative requirements of the US trade system, which mandate the inclusion of standardised provisions across all agreements, reduced flexibility and prevented negotiations for a comprehensive trade agreement with Japan. Interviews with European policymakers highlighted the EU's ability to adapt its negotiating framework to the specific needs of its partners, facilitating smoother trade negotiations and outcomes.

The Japan case demonstrated that the absence of strategic competition between the EU and the US is a reflection of divergent domestic capacities and institutional structures. The US fragmented and politicised trade policy process prevents it from sustaining a coherent trade liberalisation agenda. On the other hand, the EU's centralised approach allows it to act with greater autonomy. These differences explain the divergence in the EU and the US trade approaches with Japan and highlight the importance of integrating domestic-level analysis into broader IPE frameworks.

The Japan case illustrated that while both the EU and the US operate within the same international environment, their trade policies are driven by different domestic and institutional factors. The EU-Japan EPA demonstrated how liberal institutionalism can be operationalised through consistent, rule-based trade policymaking. At the same time, the US-Japan trade agreements show the limits of realism due to domestic factors. The absence of competitive liberalisation and the divergence of the trade agreements confirmed that strategic interaction is not an automatic element of their trade strategies but a variable outcome, determined by an alignment between systemic incentives and domestic political considerations. Therefore, the Japan case is useful in illustrating how systemic pressures, filtered through domestic structures, produce different trade policy outcomes, confirming that in East Asia, the EU and the US are not competitors, but they act as independent actors influenced by their internal political landscapes.

### 6.2.3 China

My findings indicated that the responses of the US and the EU to China's rapid economic and political growth are the result of a combination of systemic and domestic factors. From a systemic perspective, China's integration into the global economy following its entry to the WTO was an important moment in the reestablishment of international trade governance. My interviews highlighted that China's approach to trade and investment is fundamentally political, designed to secure long-term influence rather than short-term economic advantages. By constructing regional institutions and economic partnerships, such as the ACFTA and the BRI, China has established itself as a central actor capable of shaping both regional supply chains and global trade norms. These initiatives improve market access for Chinese companies and reassure neighbouring countries in East Asia regarding the peaceful nature of China's growth. Nonetheless, several East Asian countries remain reliant on the US for security guarantees.

My interviews further emphasised that China's assertiveness in the South China Sea and its dominance in advanced technology sectors have intensified the strategic competition with the US. For the US, China's behaviour is not only an economic challenge but also a threat to its regional and global leadership (Allison, 2017). The US response has evolved from engagement to containment, driven by systemic competition and domestic political dissatisfaction. Over recent decades, domestic debates about job losses, income inequality, and the unequal distribution of globalisation's benefits have limited the possibility of liberal trade policies. Consequently, successive administrations have framed trade strategy through the rationales of national security and industrial resilience. It should be noted that the US trade agenda has moved from liberalisation towards managed competition, with instruments such as export controls, technology restrictions, and industrial subsidies, demonstrated by the CHIPS and Science Act, being used to decrease economic dependence on China and enhance domestic production (Zhang, 2023).

Although the Biden administration rhetorically prioritised alliance-building and multilateral cooperation, its trade policy remained continuous with that of the Trump administration. The difference lay in emphasis rather than direction. More precisely, Biden's policy focused more on supply-chain resilience and technological self-sufficiency because technology is a key industry for the US to maintain its global hegemony, framing these objectives within a national security narrative. This indicates a structural transformation in the US trade policy, moving from trade liberalisation towards containment and decoupling (Zhang, 2023).

The EU is not a strategic player in East Asia and lacks the security infrastructure that underpins the US influence in the region. However, European economic interests in China are significant, reflecting decades of integration through investment and trade. The EU's response to China's rise has been characterised by a balancing strategy, maintaining engagement while mitigating risks associated with overdependence, evolving into the concept of de-risking (Brinza et al., 2024). Interview findings revealed that European businesses and policymakers view de-risking as a pragmatic adjustment rather than a form of decoupling.

The EU's limited strategic role in East Asia also reflects its internal institutional constraints and the fragmented character of its foreign policy. Unlike the US, which integrates economic and security strategies under a coherent national framework, the EU functions as a unitary actor in trade policy but remains divided in foreign and security policy decision-making. My interviewees explained that this structural ambiguity restricts the EU's capacity to act as a geopolitical counterweight to China. While the EU has recognised China as a "partner, competitor, and systemic rival," its policies have been influenced by consensus-driven mechanisms that prioritise economic stability over strategic confrontation.

In both the US and EU cases, domestic structures influenced the degree to which global challenges resulted in policy change. Whereas the US demonstrated a strong security-driven connection between domestic politics and external trade strategy, the EU's response remained moderated by economic interdependence and institutional variety. Importantly, the interviews also revealed how China's growing influence has created strategic dilemmas for East Asian states. Many of these countries find themselves in what one interviewee described as a "parental conflict," with China and the US as rival powers and smaller states seeking to avoid choosing sides. This description illustrates the nature of regional hedging, with East Asian states pursuing economic engagement with China while relying on the US for security.

## 6.3 Comparative Synthesis and General Findings

Taking together the CJK case studies makes it possible to identify broader patterns in the EU and the US trade policies and strategies in East Asia and to draw more general conclusions about how systemic factors interact with domestic political considerations. In all three cases, trade policymakers operated in a similar international environment, which was influenced by the rise of China, the weakening of multilateral trade governance, and the growing importance of regional economic integration. Importantly, the empirical analysis showed that the conditions of the international environment did not lead the EU and the US trade policies to respond in similar ways. Their trade policies were filtered through different domestic institutions, political situations, and policy traditions, resulting in different outcomes. Importantly, the EU and the US appeared to pursue similar trade strategies towards South Korea because domestic and institutional conditions aligned on both sides, whereas in the cases of Japan and China, divergent domestic constraints and institutional mechanisms translated similar systemic pressures into very different policy results.

The South Korea case showed how favourable domestic conditions can create the impression of competitive liberalisation even in the absence of strategic interaction. The near-simultaneous conclusion of comprehensive FTAs by the US and the EU reflected a temporary overlap in internal political feasibility rather than competitive liberalisation. In the US, this window emerged from an unusual alignment between executive authority, congressional acquiescence, and sectoral support, set against the post-9/11 geopolitical environment. In the EU, the conditions of the FTA were created by an institutional move towards bilateral trade under the GE strategy, driven mainly by commercial and regulatory priorities. Consequently, what appeared as strategic convergence was the result of parallel, but independent, decision-making processes.

The Japan case suggested an opposite direction. Similar systemic pressures produced different outcomes because domestic and institutional conditions diverged. Despite Japan's economic and strategic importance, the US was unable to convert its interests into a comprehensive bilateral trade agreement. Long-standing domestic limitations, legislative veto points, and the politicisation of trade limited the scope and depth of liberalisation. Conversely, the EU's more centralised trade policy approach allowed it to conclude a comprehensive trade agreement with Japan. The lack of simultaneity in the case of Japan demonstrated that the apparent convergence observed in South Korea was exceptional rather than representative of the EU and the US interaction in East Asia.

The case of China presented another significant divergence. In this case, the systemic concerns are much higher, and trade policy is linked with power and security. Although the US and the EU recognise China as a systemic challenger, their responses have diverged substantially. The US has framed trade policy through a national security logic, reinforced by domestic political pressures and a remarkable degree of consensus in favour of containment and decoupling. The EU, however, lacks security capabilities and operates within a more diverse institutional framework, focusing on continued engagement, strengthened regulation, and risk mitigation.

The three cases revealed a clear and consistent pattern. Systemic pressures provide the background conditions for trade policymaking, but alone they cannot explain divergences in trade policy outcomes. Domestic institutions, political structures, and sectoral interests play an important role in influencing the scope and direction of policy responses. At the same time, the EU and the US showed different trade policy frameworks. The US tends to integrate trade within broader geopolitical and security strategies, whereas the EU approaches trade mainly as a tool of market integration, regulatory influence, and economic governance.

These findings suggest that neither realism nor liberal institutionalist explanations are sufficient on their own. Instead, the evidence indicates the value of a multi-level analytical framework in which systemic pressures are mediated by domestic political and institutional arrangements. In this regard, the thesis demonstrates the usefulness of integrating systemic perspectives with domestic-level approaches. In conclusion, the comparative analysis of CJK shows that EU and the US trade policies in East Asia are best understood not as the result of strategic competition or competitive liberalisation, but as outcomes influenced by the alignment of systemic pressures with domestic political feasibility.

The scope of this thesis points to several directions for future research. The analysis of this thesis has focused on the EU and the US as traditional centres of power in global trade politics, and on how their trade policies and strategies have evolved in response to shifting systemic conditions. This choice reflects both the theoretical orientation of the thesis and the period under examination, during which these actors moved from a more active phase of trade liberalisation towards a more reactive approach in a changing global economy. Future research could build on this framework by examining the domestic politics of South Korea, Japan, and China in greater detail, or by exploring additional domestic dimensions within the EU and the US, such as voting behaviour over trade. More broadly, the findings raise questions about the changing contours of the global trade system, the growing role of China, the increasing strain on multilateral institutions such as the WTO, and the evolving nature of the EU-US partnership. These issues suggest that understanding trade politics requires moving beyond a focus on traditional powers and towards a more inclusive analysis of how strategic and domestic politics interact.

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# Appendix: List of Interviews

Interview Coding Table

| Interview Code | Position | Date |
| --- | --- | --- |
| Interview 1 | Senior Lecturer in Politics and International Relations<br><br>Areas of Expertise: International relations and security of Southeast Asia, Regionalism, Foreign policy in Southeast Asia | 20/04/2023 |
| Interview 2 | Senior US Trade Policy Negotiator for Japan, Korea and APEC<br><br>Areas of Expertise: Trade Policy, Japan, Korea | 26/04/2023 |
| Interview 3 | Director of European Policy Think Tank<br><br>Areas of Expertise: WTO and Globalisation, EU Trade Agreements, Digital Economy | 03/05/2023 |
| Interview 4 | Senior Executive and Policy Expert at US Strategic Think Tank<br><br>Areas of Expertise: Asia, Japan, Geopolitics | 10/05/2023 |
| Interview 5 | Senior Research Fellow at a Major European Foreign Policy Think Tank<br><br>Areas of Expertise: Europe, China, Trade | 25/05/2023 |
| Interview 6 | Professor<br><br>Areas of Expertise: Regionalism, Trade Policy, European Studies, EU FTAs | 29/05/2023 |
| Interview 7 | Researcher, Trade Consultant to the European Parliament, European Commission, OECD, Commonwealth | 31/05/2023 |

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| | Secretariat, the UK and other governments<br><br>Areas of Expertise: International Trade, WTO, PTAs, economic diplomacy; trade negotiations; European Single Market; EU trade and economic diplomacy | |
| Interview 8 | Researcher at the National Bureau of Asian Research<br><br>Areas of Expertise: WTO, Regional-Global Economic Governance Dynamics, Economic Development | 30/06/2023 |
| Interview 9 | Senior Research Director at a Major US Think Tank<br><br>Areas of Expertise: Japan | 14/07/2023 |
| Interview 10 | Economist and Director at a Major European Policy Think Tank<br><br>Areas of Expertise: European Union, EU Trade Agreements and WTO | 18/07/2023 |
| Interview 11 | Researcher at a Major US Strategic Policy Research Institute<br><br>Areas of Expertise: USA, Europe, Trade, Global Economic Governance | 31/07/2023 |
| Interview 12 | Policy Expert<br><br>Areas of Expertise: US, EU and China Foreign and Trade Policy | 21/08/23 |
| Interview 13 | Senior Adviser, Former President of a Major US International Trade Advocacy Organisation, Former Member of a US Legislative Advisory Body<br><br>Areas of Expertise: US, China, Economic Security, | 22/08/2023 |

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| | Global Economic Governance, International Trade | |
| Interview 14 | WTO Chair Holder<br><br>Areas of Expertise: WTO, US Trade Policy and Sino-US Trade Relations, Chinese Economy and Foreign Trade Policy | 17/01/2024 |
| Interview 15 | Policy Expert<br><br>Areas of Expertise: East Asia, Geopolitics and Foreign Policy | 18/01/2024 |
| Interview 16 | Director of a US Non-Profit Advocacy Organisation Focused on Global Trade<br><br>Areas of Expertise: Labour Unions, International trade and globalisation policy, with particular focus on trade agreements and their domestic implications | 19/01/2024 |
| Interview 17 | Director of the Asia-Pacific Program at a US Government-Affiliated Research Institute<br><br>Areas of Expertise: Trade and economic interests across the Indo-Pacific, geopolitical developments in Japan, and South Korea in their relations with the US | 19/01/2024 |
| Interview 18 | Vice President in a US Trade Advocacy Organisation with Prior Service in US Government and Legislative Agencies<br><br>Areas of Expertise: US FTAs, trade policy, BTAs, RTAs, WTO | 19/01/2024 |
| Interview 19 | Emeritus Professor | 19/01/2024 |

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| | Areas of Expertise: Trade Policy Making and East Asia FTAs | |
| Interview 20 | Emeritus Professor, Former Consultant in International Financial Institutions and a Governmental Department<br><br>Areas of Expertise: Trade, Regionalism, US, Economics and Security | 09/04/2024 |