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DANIEL SCHADE

**Coercion through Graduation:
Explaining the EU-Ecuador Free Trade Agreement**

ABSTRACT The European Union (EU) successfully concluded negotiations for a Free Trade Agreement (FTA) with Ecuador in 2014. This occurred despite the country's long-standing opposition to FTAs and its withdrawal from earlier negotiations with the EU in the context of the Andean Community of Nations (CAN). This article argues that the renewed negotiations can be explained through the EU's use of its trade power in a process of asymmetrical bargaining with the country following on from Ecuador's loss of preferential access to the EU's market under the Generalised Scheme of Preferences (GSP).

KEYWORDS European Union trade policy, trade power Europe, Free Trade Agreement, regionalism, EU-Latin America

1. Introduction

In October 2014, Ecuador's president Rafael Correa declared publicly that the country had successfully negotiated

“a commercial agreement and not a Free Trade Agreement [with the EU] (...), with absolute accountability, without stepping over any red lines, protecting our small businesses, our industry, [as well as] protecting our farmers”
(Rafael Correa in La República 2014, translation D. S.).

This assessment of Ecuador's Free Trade Agreement (FTA) with the EU could not have been more different from the one of its negotiation partner, the European Commission, or indeed parts of the country's

population. The Commission stressed that the outcome of the negotiation process was little more than

“a deal [...] that will allow Ecuador to join its Andean neighbours Peru and Colombia in their trade agreement with the EU [...] without resulting in any significant change of the ambition and scope of the [Free Trade] Agreement between the EU and Colombia/Peru” (European Commission 2014a).

Similarly, the social unrest which shook the country in 2015 was in part sparked by concerns as to the negative economic effects of opening Ecuador's economy to the EU's market under its accession to the existing EU FTA with the other countries (Hill 2015).

While Correa would not be the first politician to take decisions that run counter to their political rhetoric, the country's accession to the existing FTA is nonetheless striking, as it contrasts starkly with the same government's previous practice in the realm of trade policy. Instead of negotiating for an FTA with the EU in the context of the Andean Community of Nations (CAN) – the regional integration mechanism which reunites Bolivia, Colombia, Ecuador and Peru – it withdrew from the process in 2009 after Bolivia had taken a similar decision. At that point in time, Ecuador decided to align itself with the *Alianza Bolivariana para los Pueblos de Nuestra América (ALBA)*, a regional integration project set up by Venezuela to counter the economic liberalisation efforts underpinning free trade negotiations.

The opening of negotiations for Ecuador's accession to the existing EU FTA with Colombia and Peru in 2014, and the rapid successful conclusion of negotiations by July of the same year, appears surprising in the first instance, given that, on the one hand, the same Ecuadorean government led by Correa has remained in office, and, on the other, that the EU showed little interest in working towards Ecuador's return to negotiations after the country's withdrawal in 2008. This article explores why negotiations between both parties commenced anew and why they concluded successfully in this instance. It does so by utilizing literature on the EU as a trade and market power. Seen from this perspective, the EU benefits from its advantaged bargaining position when negotiating with developing economies. While domestic changes in Ecuador under Correa's govern-

ment can explain part of the country's willingness to return to the negotiation table, this article ultimately argues that a prior change to the EU's Generalised Scheme of Preferences (GSP) radically increased the asymmetry of the negotiation positions in favour of the EU's trade negotiators, and could thereby explain the EU's willingness at the time to offer renewed negotiations to the country, as well as the fact that Ecuador acceded to an existing FTA which it had previously criticised. Overall, Ecuador's imminent loss of market access to the EU under the reformed GSP put the competitiveness of the country's exports to one of its most important trade partners at risk, and thereby allowed the EU's negotiators to dictate most of the terms of the agreement.

The empirical analysis underlying this article is based on a number of leaked diplomatic cables from Ecuador's foreign service, and semi-structured expert interviews with EU and Latin American officials familiar with the negotiation process at hand. The remainder of the article is organised as follows: the section below explores some of the relevant literature on the EU as a trade power and what this means for its bargaining position in negotiations with developing economies. The next section then describes the broader context of the EU's FTA negotiations with Ecuador, and its previous attempts to negotiate an Association Agreement with the Andean Community, in particular. This is followed by a discussion of why Ecuador and the EU were willing to return to negotiations. Lastly, the EU's asymmetric bargaining power in the negotiations is discussed.

2. The EU as a trade power

The EU has been described by some authors as a normative actor attempting to spread its own model of regional integration throughout the world, and Latin America in particular (Börzel/Risse 2009, 2015; Söderbaum et al. 2005; Valladão 2015), thus distinguishing itself from other global powers. While consideration as to the normative nature of the EU's policy towards Latin America can aid the understanding of initial negotiations between the EU and the Andean Community of Nations, this article ultimately adopts a perspective which emphasises the EU's role as a trade power arising out of the sheer size of its single market.

While the EU has often times been described as being an accidental trade power due to the sheer size of its economy, which creates asymmetries, particularly in the economic relations between it and smaller countries, Meunier and Nikolaidis have argued that the EU was not only a trade power by accident, but can be conceptualised as “power through trade” (2006: 907). Others still have coined the term ‘market power Europe’ (Damro 2012), which describes a similar development. Taking this perspective, the EU makes active use of its external trade policy, and free trade negotiations in particular, to achieve its economic aims of market liberalisation throughout the world (Damro 2015: 1344f).

The literature on free trade negotiations between large economies such as the United States and the European Union on the one hand, and smaller, mainly developing economies on the other, emphasises the power of the larger party as a result of economic asymmetries. Here, it is principally the risk of a loss of access to the markets of large economies such as the European Union which means that “the nature of asymmetry [in free trade negotiations] [...] is such that not only the threat of discontinuation is disproportionate but that such discontinuation can cut lifelines.” (Tussie/Saguier 2011: 2). This potential for asymmetric threats that cannot be credibly reciprocated by the other parties can be used to explore the dynamics of free trade negotiations.

This has been emphasised, for instance, in the study of the EU’s ties to the Africa-Caribbean and Pacific Group of States (ACP) (Elgström 2000). Some authors have also pointed to the fact that the use of such threats by the EU towards ACP states has radically limited their ability to decide domestically on their preferred model of economic development (Hurt 2012). Such observations have led others still to frame the EU’s influence in the realm of trade policy-making as ‘hegemonic’ (see for instance Ford 2013), arguing that the EU utilises its trade policy primarily to increase its overall power.

Recent literature focusing on the EU’s ties with Latin America has pointed out that whatever potential there was for the EU to spread its own model of regional development “fell short of its hopes” and that “the reality of its [the EU’s] prevailing economic interests [...] curtailed its ambitions” (García 2015: 636) and contributed to the EU making use of its trade power in the region.

Through the study of the negotiations for Ecuador's accession to the existing EU-Colombia-Peru FTA, this article will assess whether in this instance the EU has indeed made use of its power through trade, so as to achieve its economic aims in the region.

3. The Ecuador-EU FTA in context

Ecuador's negotiations for a Free Trade Agreement with the EU need to be explored in the larger context of the EU's trade negotiations in Latin America, which began after democratic governance, political stability and economic growth had taken root across most of the continent in the 1990s. As a consequence, the EU has aimed to develop its ties with the region under a "one-size fits all approach" (Börzel/Risse 2009: 10) by negotiating Association Agreements, which include an FTA component, with Latin America's regional economic integration mechanisms and individual countries which do not belong to any suitable regional organisation. In the 2000s Latin America's economic boom, the growing importance of Brazil, and the failure of the Doha Development Agenda negotiations created further incentives for the EU to establish closer trade ties between itself and the continent.

This led the EU to open negotiations for Association Agreements with a number of Latin American partners, such as Mexico and Chile, and the so far unsuccessful talks with Mercosur. In a second wave, the EU began negotiations with the Andean Community and the Central American Common Market. Ultimately, a full-blown Association Agreement was only reached in the latter case, while a process to reach bilateral Free Trade Agreement with some of CAN's members was maintained in parallel.

While the four CAN states initially all negotiated as a group with the EU, the elections of Evo Morales in Bolivia in 2005 and of Rafael Correa in Ecuador in 2006 led to an important re-orientation of these countries' foreign and trade policies in line with the principles of ALBA, and in opposition to free trade. This created substantial political tensions with the bloc's other two countries, Colombia and Peru, successive governments of which have been adamant supporters of FTAs, and which lobbied for the launch of the interregional negotiations in the first place.

Negotiations with CAN came about primarily due to the insistence of the two countries cited above. This was despite the fact that, according to multiple interviewees, EU officials were initially surprised by these demands (DG Trade official, 12.6.2015; EU official, 19.6.2015). These countries' exports to the EU at the time were facilitated in large part by them benefitting from preferential access to the EU's market under the Generalised Scheme of Preferences – a legal exception to the WTO's reciprocal trade liberalisation requirements. Negotiating an FTA with the EU would thus not have improved their access to the European market to any relevant extent, all while having to open up their markets to European products, thus likely harming domestic producers in these countries.

While the EU's initial negotiations with the organisation went relatively smoothly, nonetheless, by the time of the fourth round, these had come to be increasingly difficult (European Commission 2009), and EU officials were concerned about the limited progress achieved (Haubrich Seco 2011: 13). All throughout this phase Colombia and Peru had remained sceptical as to the likelihood for a regional deal, and Peruvian president Alan García repeatedly asked the EU for bilateral negotiations (Noriega 2007) so as not to punish the country for Bolivia's and Ecuador's scepticism. While the EU initially remained firm in its stance for negotiations within the CAN framework, it ultimately offered a more flexible approach that would have allowed for individual CAN countries to be treated differently in an attempt to alleviate some of the concerns voiced by Bolivia and Ecuador (Phillips 2008b).

In June of 2008, however, Bolivia and Ecuador threatened to block the negotiations over the so-called EU returns directive (Phillips 2008a, 2008c). Given these difficulties, the scheduled negotiation round was ultimately cancelled by the EU (Fritz 2010). When the EU signalled its willingness to continue negotiations in November 2008 however, a major change of policy on the European end had occurred. Instead of negotiating for an interregional Association Agreement, the EU decided to undertake negotiations for an FTA with CAN's willing members only, while dropping the proposed agreement's political and cooperation provisions.

This move can be understood best when considering that the United States had negotiated FTAs with Colombia and Peru in parallel. The entry into force of these would have left European companies facing worse

terms of trade than their US counterparts. Before the return to negotiations, both countries furthermore heavily lobbied the European Commission to continue FTA negotiations with them bilaterally (Agence Europe 2008). Some interviewees cautioned that Colombia and Peru used the EU's fear of losing market access to their advantage, hence contributing to the EU's change of position (DG Trade official, 12.6.2015; Peruvian diplomat, 7.5.2015).

While Bolivia did not participate in the process from that point on, the country was nevertheless invited by the EU to the negotiations (Willis 2009). The Bolivian government later stated that it had never voluntarily withdrawn from the negotiations, and instead tried to block the resumed process with an unsuccessful judicial measure within the Andean Community (Fritz 2010). Ecuador only withdrew later on in the process, in July 2009, citing the on-going disputes with the EU over tariffs and limitations on banana exports in the context of the World Trade Organisation. While this was the country's official answer, the withdrawal was mainly related to its growing unease about FTAs and the country's on-going rapprochement with Venezuela and ALBA.

The remaining bilateral negotiations led to the eventual conclusion of the joint FTA with Colombia and Peru in 2010 – at the same time as an Association Agreement with the Central American Common Market.

When considering the dynamics of the negotiations with CAN, the EU ultimately gave in to the lobbying of Colombia and Peru and the imminent threat of worsening terms of trade relative to the United States. Given that the latter factor was not present in the case of Ecuador and that the country's economy is much smaller overall than those of Colombia or Peru, it is unsurprising that the EU ceased its attempts to convince Ecuador to return to the negotiation table. Nonetheless, the continued validity of the Commission's negotiation briefs for talks with Ecuador and the economic effects of the EU's FTA with Colombia and Peru would later contribute to the factors which can explain the relaunch of negotiations with Ecuador.

4. Explaining the relaunch of negotiations

The opening of negotiations in January 2014 and their speedy conclusion by July of the same year are exceptional in a number of ways: first of all, EU FTA negotiations typically take much longer. Secondly, Ecuador's government, which had earlier withdrawn from the interregional negotiations with the EU, remained in power and maintained its opposition to FTA negotiations but decided to begin talks with the EU nonetheless. Lastly, the negotiation of a bilateral FTA with Ecuador is of little economic benefit to the EU. It is here that a radical change to the EU negotiators' bargaining position due to the previous reform of the EU's Generalised Scheme of Preferences in 2014 needs to be considered. The reform, which as an unintended side-effect would see Ecuador lose its preferential access to the EU's market, radically altered its negotiation position power *vis-à-vis* the country, and allowed DG Trade to utilise a number of bargaining tools previously unavailable to it.

Ecuador's initial reluctance to remain part of the FTA negotiations can primarily be explained by economic factors. While Ecuador is not an important trade partner for the EU, the EU was the second most important recipient of the country's exports, only after the United States. These amounted to a total value of 2.2 billion euros in 2014, mainly in agricultural goods, of which 30 per cent are bananas, with the country also exporting services of a total value of 400 million euros (DG Trade 2014, 2015).

The relevance of the EU as Ecuador's trade partner was facilitated by the country's access to GSP. When the reformed scheme was applied as of 1 January 2014, the country initially remained on the list of recipients despite a significant overall reduction in the number of countries eligible for it (DG Trade 2012). Having signed and implemented a number of international labour and human rights conventions, Ecuador was also one of only 10 countries that were eligible to join the reformed, more advanced GSP+ scheme (after already having benefitted from its previous iteration—DG Trade 2013). Its GSP+ status meant that 60 per cent of its exports to the EU in 2013 benefitted from GSP+ preferences, with the country's exports to the EU being taxed at 253 million dollars, as opposed to 606 million in the absence of GSP and GSP+ (DG Trade 2014; Enríquez 2014b). Despite the lack of a Free Trade Agreement with the EU, Ecuador thus benefitted from

preferential access to the EU's market under this scheme, without having, reciprocally, to open up its market – a factor that the country considered in its previous withdrawal from negotiations with the EU (Peruvian diplomat, 7.5.2015).

This situation was due to change from 1 January 2015, however, as the country had been classified as an upper-middle income economy by the World Bank in 2011, 2012 and 2013. This meant that under the EU's technical GSP rules, it would automatically graduate from both schemes a year later (European Commission 2013). This would have significantly decreased the competitiveness of Ecuador's exports to the EU given the additional tariffs imposed on them, thus threatening its agricultural sector.

The situation was exacerbated by the provisional application of the EU's FTA with Peru and Colombia as of March and August of 2013 respectively, and the entry into force of the trade chapter of the EU's agreement with Central America, which provisionally entered into force for the six Latin America parties of the agreement throughout 2013. As these countries share similar (agricultural) export patterns to the EU, their exports would not only continue to benefit from access to the European market at GSP, but at even lower tariffs for some product lines. As one interviewee noted, Ecuador was facing not one, but two interrelated shocks to its trade pattern with the EU at the same time (EU member state diplomat, 4.11.2015), thus radically altering the conditions which had previously allowed the country to walk away from negotiations with the EU.

With the potential of losing market access to the EU, Ecuadorean industrialists and land owners came to be increasingly worried about the likely impact on their economic activity (Enríquez 2013, 2014b; Laines/Ponce 2014), increasing the pressure on the Ecuadorean government to change its stance towards free trade agreements – and an FTA with the EU in particular – if not in rhetoric, then at least in practice.

Initially such calls received little response from the Foreign Ministry, which at the time was simultaneously responsible for the country's trade policy. Foreign minister Ricardo Patiño was one of the main supporters of Ecuador's accession to ALBA, and therefore naturally opposed to the conclusion of FTAs. This created internal tensions with the Deputy Foreign Minister responsible for Commercial Policy, Francisco Rivade-

neira, who was representative of a faction of Ecuador's government which was more favourable to free trade negotiations with the EU.

These tensions become apparent in the leaked diplomatic cables, and several interviews confirm that these were known to EU officials (DG Trade official, 12.6.2015; EU member state diplomat, 4.11.2015). The latter have noted the necessity for Ecuador to speak with one voice in negotiations on a number of occasions. Ecuador's ambassador to the EU, Fernando Yépez Lasso, learned of some official contacts between diplomats from the trade policy section of Ecuador's foreign ministry in Quito, and EU counterparts only once these contacts had taken place (Yépez Lasso 2011b), which can likely be explained by his opposition to Ecuador's accession to the FTA in line with the stance of the country's Foreign Minister (Yépez Lasso 2011c).

The internal divergences were ultimately resolved through the creation of a Ministry of Commerce under Rivadeneira, stripping away this responsibility from the Foreign Ministry. An EU official interviewed for this article attributed Ecuador's willingness to return to negotiations with the EU to this administrative change, which was in part facilitated through the EU's bypassing of Ecuador's ambassador in Brussels (DG Trade official, 27.4.2015). While Rivadeneira resigned immediately after the conclusion of negotiations in 2014, his successor has nonetheless also been a strong supporter of the agreement (EEAS officials, 16.6.2015).

While a 'pragmatic turn' in Ecuadorean trade politics that has taken place since 2013 (El Comercio 2014) could thus be observed, this is not the primary explanation for the country's willingness to return to negotiations with the EU. Ultimately, according to data gathered during interviews, these changes to Ecuador's trade policy decision-making system were introduced so as to facilitate Ecuador's speedy accession to the EU-Colombia-Peru FTA once it became clear that the country would lose its access to GSP+ (DG Trade official, 27.4.2015; Peruvian diplomat, 7.5.2015).

The case for the EU's willingness to once more negotiate with the country on an FTA was less straightforward, as the EU trades very little with the country and the competitiveness of existing European exports to the country was not put at risk by similar FTA negotiations between Ecuador and the United States (DG Trade official, 12.6.2015). Furthermore, any trade negotiation puts a strain on the limited human resources

of the EU's trade negotiators, rendering their willingness to negotiate with the country outside of the larger previous Andean Community context less likely. It is here that once more the change to the EU'S GSP scheme needs to be considered. The system was reformed without the EU's ties to Ecuador, or indeed those to any specific trade partner, in mind. Nonetheless, it was realised at the time that the reform was discussed that if it were to go ahead as suggested, the EU's bargaining position in specific trade negotiations would be strengthened. A working document for the European Parliament's Committee on International Trade (INTA) acknowledges that the automatic use of the World Bank country classification scheme as an indicator for GSP eligibility would radically reduce the number of countries eligible for it, while pointing out that for cases where the EU is aiming for FTAs with countries about to lose access to GSP, "this proposal could of course lead to increased leverage for the EU in these negotiations" (Fjellner 2011: 3).

It is here that the context of the existing EU-Colombia-Peru FTA and Ecuador's graduation from GSP+ also needs to be considered. The continued validity of the previous negotiation briefs for EU talks with all of CAN's states made it relatively easy for the European Commission to relaunch the process. Additionally, the existing FTA provides for a simple possibility to extend it to the remaining Andean states by giving the Commission the sole responsibility to undertake such negotiations, which are furthermore limited, as per the agreement, to technical discussions, such as the schedules for trade liberalisation (see Official Journal of the European Union 2012). This requirement would put an individual acceding state into a very weak negotiation position overall, and one that was much worsened compared to the earlier context of negotiating with all Andean countries in parallel. For the Commission's negotiators it was thus relatively easy to relaunch negotiations with the country since the limitation to the discussion of technical details would simplify the overall negotiations process, thus reducing the strain on the limited human resources available.

Overall, it was Ecuador's coincidental loss of GSP+ access that provided an opportunity for the European Commission to open up the country's market to European exports without having to resort to time-consuming negotiations, as would have been the case beforehand.

5. The negotiations for the EU-Ecuador FTA

When analysing the dynamics of the negotiations between Ecuador and the EU, the asymmetrical bargaining positions and the European Commission's use of this advantage can be witnessed in detail. Even before negotiations had been envisioned between both parties, the looming GSP reform was used as a means of pressure by the Commission on Ecuador to return to the negotiation table. This can be seen in a number of leaked diplomatic cables from Ecuador's embassy in Brussels from 2011 and 2012. On 22 November 2011 the Ecuadorean Vice-Foreign Minister for Commercial Affairs, Francisco Rivadeneira, was informed of the EU's intent to reform its GSP and GSP+ schemes by DG Trade official Peter Thompson, revealing that if the reform went ahead as planned, Ecuador would lose its preferential access to the EU's market. Given the general nature of the proposed criteria to determine GSP status, the same official pointed out that it would be almost impossible for the country to continue to be able to export to the EU at present rates were it not to accede speedily to the existing FTA with Colombia and Peru (Yépez Lasso 2011a). This take-it-or-leave-it offer was immediately accompanied by the promise that should the country accede to the existing agreement, the EU would be willing to ensure that it would not lose GSP access, even if the ratification of its accession were to take longer than the 1 January 2015 deadline. This offer was made despite the fact that it would likely violate World Trade Organisation provisions on the GSP (EU official, 19.6.2015; EU member state diplomat, 22.6.2015).

The definitive nature of the EU's offer could also be seen in a number of meetings between Ecuador's ambassador to the EU and a variety of other EU officials on the matter. While the Commission officials in question showed different levels of understanding for Ecuador's position, they nevertheless all emphasised that Ecuador had only the option of joining the existing FTA, or risking losing preferential access to the European market altogether. To cite the rephrased words of the EU's chief negotiator of the time, Gaspar Frontini, from a leaked Ecuadorean diplomatic cable:

“Given the loss of GSP+ in 2014 and the associated loss of privileged access to the European market, Ecuador has no choice but to join the existing EU-Colombia-Peru FTA. Otherwise Ecuador would remain isolated, while its Andean and Central American competitors benefit from a Free Trade Agreement with the EU.” (Yépez Lasso 2011b, translation D.S.)

Given the country’s previous withdrawal from negotiations with the EU, some officials also insisted that a formal relaunch would have to be preceded by a declaration from Ecuador’s president Correa stating his favourable position towards their speedy conclusion (Yépez Lasso 2012c).

At first, Ecuador used a two-tier strategy in reaction to these revelations. While undertaking preliminary talks with the EU that could eventually lead to the relaunch of negotiations, Ecuadorean diplomats also seem to have lobbied EU member states and the European Parliament so as to introduce a possibility for middle-income economies (such as Ecuador) to continue benefitting from GSP+ if they kept fulfilling all political conditions beyond the initial deadline (Yépez Lasso 2012b). Given that this proved to be unsuccessful in the end, the country reverted to FTA negotiations with the EU due to the lack of alternatives.

In the words of Ecuador’s ambassador to the EU at the time, Fernando Yépez Lasso,

“the possibility of our country’s exclusion from GSP+ is an element of pressure by the European Commission and certain business interests for Ecuador to join the FTA that the EU has concluded with Colombia and Peru as our only alternative to avoid a loss of market access and the eventual economic, commercial and social repercussions” (Yépez Lasso 2011a: 4, translation D. S.).

While exaggerating as to the the deliberate nature of the country’s exclusion from the GSP scheme, his assessment nonetheless accurately described the country’s options at the time and the fact that the Commission made active use of its bargaining position.

The limited nature of Ecuador’s influence over the agreement itself can then be seen in the negotiation phase. As already mentioned, the official phase of negotiations was very speedy, which can be explained in part by time playing into the Commission’s hand as Ecuador was facing the dead-

line of losing GSP preferences as of the end of December 2014, but also by the limited number of adjustments that the EU was willing and able to offer to Ecuador. Ultimately, substantial negotiations were limited to tariff schedules and lines (Enríquez 2014a, 2014c) rather than substantial changes to the nature of the agreement.

This relatively harsh negotiation position was once more flanked by the prospect of significant benefits that the country would receive in the case of agreeing to accede to the existing agreement. By continuing to offer a piece of bridging legislation that would provide provisional GSP-like market access until the FTA could enter into force, the economic shock that the country would otherwise have faced on 1 January 2015 would thus not need to occur.

Nonetheless, the EU's conditions for discussing such a bridging measure were clear from the outset and dependent on the country's signing and ratification of its accession to the FTA. This can be seen in some of the leaked diplomatic cables (Yépez Lasso 2011a, 2012a) and in public declarations from EU diplomats in Quito, who were keen to stress that measures to prevent the country's loss of GSP status would be studied only once the negotiations had concluded (Enríquez 2014c).

The proposal for the bridging legislation, while unique, was not a completely novel idea. Its political significance should nevertheless not be underestimated. While the European Parliament's Committee on International Trade floated the idea of an automatic extension of GSP preferences in case of a concluded but not yet applied FTA at the time the GSP reform was debated (Fjellner 2012: 9), this did not find its way into the final piece of legislation. The end of negotiations in July 2014 then meant that any possible bridging legislation would have to pass through the EU's legislative process more rapidly than is the norm, so that it could apply from January 2015 onwards.

In order to maintain pressure on Ecuador to ratify the agreement, the proposal for the bridging legislation ultimately continued to contain a number of conditions. While offering Ecuador the much-needed GSP+ extension, it made the country's continued eligibility dependent on – amongst other things – “Ecuador conducting continuous efforts to sign and ratify the Protocol of Accession [to the FTA]” (European Union 2014), in addition to a maximum two year time frame of application.

Evidence of tension over the problematic nature of the EU's use of its trade power for its own benefit can be found in the European Parliament, where the legislative proposal's rapporteur, Helmut Scholz, from the left wing GUE/NGL parliamentary group, mentioned the dilemma that Ecuador was finding itself in, even anticipating some of the upheaval in Ecuadorean civil society arising from the agreement that would take place over the course of 2015 (European Parliament 2014).

In any case, an interviewee reported heavy Ecuadorean lobbying ahead of the relevant legislative decisions. This was not only limited to Ecuador's diplomatic representation but also done through larger pro-trade networks (European Parliament official, 24.6.2015). Ultimately the bridging legislation passed the EU's legislative process in time, and Ecuador's GSP+ preferences were upheld beyond the 2015 cut-off date. At this point in time Ecuador also received a number of other benefits that it had likely been promised during the negotiation process, such as the attribution of an additional 67 million euros in EU development cooperation funding in the 2014 to 2017 period so as to prepare the country for its FTA accession. This occurred despite the EU's decision to end bilateral cooperation along the lines that the country had previously received (European Commission 2014b).

Recent developments confirm that the EU has since maintained the pressure on the country and used the 1 January 2017 deadline of the GSP+ bridging legislation to alter parts of Ecuador's domestic legislation in line with European demands, ahead of the EU's ratification of the country's accession to the EU-Colombia-Peru FTA (Sosa/Enríquez 2016).

6. Conclusions

This article has explored the reasons behind Ecuador's accession to the existing EU-Colombia-Peru Free Trade Agreement, despite the fact that the country's government had decided to walk away from negotiations earlier on. While domestic developments in the country can contribute to our understanding of the process that led to a relaunch of negotiations between the EU and Ecuador, it is ultimately only through the consideration of the EU's power through trade that this puzzling development can be explained.

The fact that Ecuador benefitted from the EU's Generalised Scheme of Preferences and European concerns over market access to Colombia and Peru amidst parallel US free trade negotiations can explain why negotiations were halted in the first place in 2009.

The relaunch of negotiations with both parties can then only be understood when considering that Ecuador lost access to the EU's reformed GSP scheme as of 1 January 2015, thus radically increasing the EU's power through trade *vis-à-vis* the country. Furthermore, the previous conclusion of the EU-Colombia-Peru FTA meant that the EU could use an existing template to structure the negotiations with Ecuador, further increasing the asymmetry in the ensuing bargaining process.

Evidence from the negotiations furthermore points to the fact that the EU's trade negotiators have made active use of their advantageous position in the negotiations, using a tactic of threats and benefits that made use of all the trade policy instruments available to them.

It is indeed true that the criteria used to determine GSP eligibility are formally technical in nature, and Ecuador's loss of access to GSP was a mere coincidental result of the reform. Nonetheless, the debates at the time of the scheme's reform related to the EU's trade power developing out of it, and the willingness to grant Ecuador a transitory status once it had shown its willingness to accede to the existing FTA – thereby possibly violating WTO requirements – demonstrate that access to GSP itself can be used to the advantage of the EU in its trade negotiations.

From the Ecuadorean perspective, the loss of GSP+ status meant that it would either lose access to the European market as of 1 January 2015, or to give in to the EU's demands. Ultimately, the country chose to accede to the existing FTA without being able to alter it in any meaningful way. The discussions in the country's bureaucracy and the continued rhetoric by Ecuador's leadership that the agreement did not constitute an FTA but rather a different kind of commercial agreement, show that this decision was not without difficulty for a country which had previously striven to develop its trade policy along alternative lines.

In any case, the EU's negotiations with Ecuador illustrate that the EU has made use of its power through trade in this instance. While previous research on EU-Latin American relations points to evidence that the EU initially attempted to export its model of regional integration through

negotiations with Latin American countries, very little speaks for the validity of this perspective in the case at hand. Ultimately, the EU's negotiators have made extensive use of the asymmetry in the negotiation process in their favour, thereby significantly reducing the policy options available to Ecuador and thus achieving the EU's goal of a Free Trade Agreement with the country.

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ABSTRACT Die Europäische Union (EU) und Ecuador haben 2014 Verhandlungen für ein Freihandelsabkommen erfolgreich abgeschlossen. Dieses Ergebnis kam trotz Ecuadors langjähriger Freihandelskritik und dem vorherigen Rückzug des Landes aus Verhandlungen zwischen der EU und der Andengemeinschaft zustande. Dieser Artikel analysiert den Verlauf und das Ergebnis der Verhandlungen durch eine sich aus der Wirtschaftsmacht der EU ergebende asymmetrische Verhandlungsdynamik, in welcher die Verhandlungsposition der Generaldirektion Handel der EU durch eine vorherige Reform des europäischen Allgemeinen Präferenzsystems (APS) erheblich verbessert wurde.

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