

# **Economic Interests and EU Trade Policy-Making**

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## **Abstract**

Studies of EU trade policymaking often suggest that delegation of trade authority from the national to the European level strengthened the autonomy of public actors in formulating trade policies. Little empirical research, however, has been undertaken to corroborate this contention. To improve on this situation, I carry out two case studies of the EU's participation in the multilateral trade negotiations known as the Kennedy Round (1964-67) and the Doha Development Agenda (2001 onwards). The analysis reveals that in both cases the EU's negotiating position was largely in line with the demands voiced by economic interests. Although this finding is no proof of economic interests actually determining EU trade policies, it casts some doubt on the autonomy thesis. I also discuss some factors that indicate that interest group influence may be the most plausible explanation for the finding.

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## **Introduction**

Which role do economic interests play in the making of European Union (EU) trade policy? Some current research dealing with this question suggests that policymakers are relatively insulated from societal pressures and thus can implement trade policies in line with their economic beliefs or other preferences. The argument is that the transfer of policy authority to the European level, by increasing economic interests' uncertainty about who decides and what is decided, enhanced the autonomy of public actors in shaping EU trade policies. As many authors propose that this effect was intended to strengthen the state vis-à-vis society, this view is also known as the "collusive delegation argument". The autonomy that decision-makers gained as a result of delegation allowed them to implement trade policies that further the public good, that is, achieve trade liberalisation, against the resistance of protectionist forces.

Little empirical research, however, has been undertaken to back up this contention. In fact, the few studies that empirically tackle the question of interest group involvement in EU trade policy-making come to quite ambiguous results. To improve on this state of the art, I carry out two case studies of the EU's participation in the Kennedy Round (1964-67) and the Doha Development Agenda (2001 onwards) of world trade talks. The choice of these two cases is based on the reasoning that in both of them the preconditions were ideal for collusive delegation to work. For the first case, this is so because domestic interests should have been particularly vulnerable immediately after the creation of a multi-level system, as they should have found it difficult to adapt to the new institutional framework. For the second case, while societal actors may have been more familiar with the multi-level system, the extent of delegation of trade policy authority had increased as well, again creating a propitious situation for collusion by public actors. In both the 1960s and the early

2000s, consequently, on at least some issues one would expect to see that public actors overrode opposition from societal interests when pushing for trade liberalization. This expectation is not borne out for either case, however; on the contrary, the EU's negotiation position was consistent with the demands voiced by both broad business associations and sectoral groups across a large number of issues.

While this research falls short of establishing that economic interests actually determine EU trade policies, I suggest that some factors indicate that domestic actors may indeed be influential in shaping them. In particular, economic interests enjoy excellent access to decision-makers in this policy field, which provides them with opportunities to influence outcomes. Economic interests active on trade policy issues also consider themselves to be influential. Finally, explanations not based on the lobbying efforts by economic interests find it quite difficult to explain the close parallels between the EU's negotiation position and societal demands. Together, these factors make it plausible that interest groups indeed have a substantial impact on EU trade policies.

### **The collusive delegation argument**

Studies on EU trade policy often maintain that the distribution of power between societal and public actors in this policy field is skewed in favour of the state. The delegation of trade policy authority to the EU level, which was agreed upon in the Rome Treaty (1957), supposedly insulated policy-makers from protectionist pressures (Nicolaïdis and Meunier 2002: 175; Meunier 2005: 8-9; Woolcock 2005: 247; Zimmermann 2005: 180). The insulating effect of delegation, according to this view, was not unintended. On the contrary, the collusive delegation argument postulates that politicians consciously designed the EU's institutional framework to minimise the influence of societal interests. After gaining independence from specific economic

interests, politicians used their autonomy to cut tariffs in international trade negotiations, a policy that is in the public interest but runs counter to the policies demanded by sectoral pressure groups. Illustratively, Sophie Meunier (2005: 8) posits that European policymakers “chose to centralize trade policymaking in order to insulate the process from protectionist pressures and, as a result, promote trade liberalization.”

The causal argument, which originated in studies of United States (US) trade policymaking (Destler 1986; for a critique see Bailey, Goldstein and Weingast 1997), starts with the assumption that protectionist trade interests dominate policymaking processes because collective action problems inhibit political action by consumers, the main winners from free trade. In this situation, politicians have an incentive to limit the influence of import-competing interests if they either are concerned about the negative consequences of protectionism for economic growth or have a pro-trade preference for other reasons. They may hope that by delegating trade policy authority to another level of government or from the legislative to the executive they can combat the extraction of rents by particular firms or sectors.

Several arguments exist for how delegation reduces societal actors’ control over trade policies, most of which explicitly or implicitly allude to an increase in uncertainty resulting from delegation for domestic interests. In one view, delegation to a higher level of government may increase the free rider problems of societal interests. The larger number of actors benefiting from specific policies in a larger geographical district could exacerbate collective action problems, and thus keep societal interests from influencing policy outcomes. Another prominent explanation draws attention to the size of electoral districts. It suggests that in political systems with small districts, the negative effects of pork barrel policies can be externalised to

other constituencies (Weingast, Shepsle and Johnsen 1981). In political systems with large districts, by contrast, the constituency that receives the benefits of specific policies also has to carry their costs (Rogowski 1987). A move from small to large districts consequently makes sure that the losers from protectionist policies are to be found in the same districts as the winners. Such a situation may enhance decision-makers' ability to find alternative support coalitions, making it easier for them to ignore protectionist special interests (McKeown 1999: 30, FN 10).

Delegation to an intergovernmental forum as happened in the EU may have other important effects. It provides governments with control over the agenda, alters decision-making procedures, creates or makes more pronounced information asymmetries that favour the government, and provides governments with additional ways to justify their policy choices (Moravcsik 1994). All of these factors can strengthen the state vis-à-vis societal interests. In addition, intergovernmental cooperation in a policy field may enhance governments' bargaining power in domestic negotiations by allowing them to refer to international constraints that impede their giving in to societal demands (Grande 1996). Whatever the specific causal chain suggested in a study, all of these explanations concur in the prediction of greater autonomy by public actors in the aftermath of delegation of trade authority from the national to the European level.

Given the prominence of the state autonomy claim in the literature, it is astonishing to see how little empirical research has been carried out to actually test the hypothesis for the case of EU trade policies. A few case studies provide the only empirical evidence of interest group influence on EU trade policy choices currently available. One such analysis shows that the EU decided to start a dispute settlement case in the World Trade Organisation (WTO) against American tax refunds for

exporters based on only casual business consultation. It concludes that the “relative autonomy enjoyed by states on deciding which cases to bring and pursue does not support the more extreme arguments that governments are mere messengers at the WTO for corporate preferences” (Hocking and McGuire 2002: 466). The study, however, does not provide (and in fact does not claim to provide) evidence in support of the collusive delegation hypothesis. Little may indicate that business interests actually pushed the European Commission to become active in this case (although Airbus Industries most likely did exert some pressure). Neither, however, was there strong opposition to the launching of the case, which member states would have had to overcome by way of collusive delegation.

For the case of the Uruguay Round (1986-93) of multilateral trade negotiations, some evidence suggests that the French government may not have been particularly responsive to the interests of French industry (Cowles 2001: 167). Again, however, the collusive delegation argument is little useful in explaining this finding. Rather, it seems that the French government’s position was heavily influenced by other domestic interests, in particular farmers and audiovisual services providers (Devuyst 1995; Keeler 1996). Once French industry became more insistent on the need for a successful conclusion of the Uruguay Round, moreover, the French government changed course. Still other studies actually stress the influence that economic interests can have on EU trade policy-making (van den Hoven 2002; Dür 2004; Coen and Grant 2005; De Bièvre and Dür 2005). Empirical support for the collusive delegation hypothesis hence is limited.

What is more, also a series of theoretical shortcomings cast doubt on the collusive delegation hypothesis, at least as applied to the case of EU trade policies. For one, this line of reasoning is built on the assumption that politicians have a short-

term incentive to provide protection and are relatively unconcerned with the long-term gains from freer trade. Why then would they move to insulate trade policymaking to achieve long-term welfare gains that are close to irrelevant for their short-term electoral success? Even if politicians, in a moment of autonomy, would manage to move decision-making to a larger geographical area, it is not obvious why politicians should consistently have more liberal preferences than domestic interests. This is particularly so because societal actors can also influence the selection of policymakers (Fordham and McKeown 2003). Moreover, for the case of supranational actors, it might actually be in the bureaucratic self-interest of an agent to be more protectionist than its principals (Frey and Buhofer 1986). The reason for this is that the agent's standing should increase as it becomes the addressee of demands for protection.

More importantly still, the EU's institutional framework for trade policymaking runs counter the collusive delegation argument. Following Article 113 of the Treaty of Rome (1958), which governed trade policymaking in the EU until the revisions in the Treaties of Amsterdam (1999) and Nice (2003), the Council of Ministers was to decide on international trade agreements unanimously for an initial period of eight years. The treaty stipulated that after this period trade agreements should be ratified by qualified majority. Yet, just before this provision was to enter into force, France insisted on the need to maintain unanimous decisions on issues concerning important national interests, a demand that was accepted by the other member states in the Luxembourg compromise of 1966.

Later, when the Luxembourg compromise started to be whittled away in other policy fields, the extension of the scope of trade negotiations to new issues such as intellectual property rights, investments and services, made sure that unanimity persisted in the trade policy field. For these issues, the original treaty provisions did

not assign exclusive competences to the EU and thus required unanimous decisions (see also the discussion in Young 2002). Although the Treaty of Nice extended qualified majority voting to services and intellectual property rights, the situation has not changed fundamentally. With governments continuing to defend their right to veto trade agreements, it is not plausible that the current Doha Development Agenda could be concluded against the opposition of a member state. As a result, throughout these decades decisions concerning trade negotiations have had to be taken unanimously.<sup>1</sup>

The unanimity requirement makes sure that the European Commission, although endowed with the sole right to make proposals on trade policy matters, is tightly constrained (De Bièvre and Dür 2005). Interest groups, consequently, may concentrate their lobbying effort on their national governments (Feld 1967: 34), and push them to block trade agreements that run counter to their interests. Aware of this, the European Commission has an incentive to listen to economic interests, rather than having her proposals rejected by the Council of Ministers. The resulting “symbiotic” relationship between the Commission and interest groups (Mazey and Richardson 2003: 209, 212) can lead to a situation in which “companies and the Commission present the member states with a negotiating strategy ‘pre-approved’ by European industry” (Cowles 2001: 171).

Delegation may even enhance governments’ ability to give in to special interests. Loosely applying a principal-agent framework, the more informed the electorate is, the more difficult the government will find it to engage in actions that run counter the preferences of voters. The loss in transparency resulting from delegation should inhibit voters’ monitoring of policy decisions more than any other interests. Less scrutiny by voters should allow politicians to impose policies that are

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<sup>1</sup> The situation is different for administrative trade instruments such as antidumping duties and for the use of the WTO dispute settlement mechanism. The main features of trade policy are, however, decided in international trade negotiations.

even more in line with special interest group demands than before. Delegation may hence boost the power of economic interests by giving politicians more leeway from electoral demands. The resulting expectation is an “increasing prevalence of special interests over the general public interest” in the EU (Petersmann 1991: 167). In short, neither existing empirical studies nor theoretical reasoning supports the collusive delegation argument.

### **Economic interests and trade policy-making in the EU**

To further scrutinise the collusive delegation argument, I compare European trade policy choices and interest group demands in two periods, namely the 1960s and the years from 1998 until 2006. In these two periods, the EU engaged in the Kennedy Round of world trade talks and the Doha Development Agenda respectively.<sup>2</sup> The collusive delegation argument suggests that the EU’s position in these trade negotiations should have been shaped by the preferences of decision-makers. These preferences, in turn, are expected to be less protectionist than those of domestic interests, leading to the prediction that at least on some issues the EU’s position should have diverged from the demands voiced by domestic interests. A close reflection of societal demands in the EU’s negotiating position, by contrast, will cast doubt on the collusive delegation hypothesis.

#### *The EU and trade liberalisation in the Kennedy Round*

Shortly after the creation of the European Economic Community in 1958, the US asked this new entity to engage in international trade negotiations with the aim of substantially liberalising trade flows. In particular, the US administration proposed

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<sup>2</sup> By selecting these two cases, which are temporally relatively far apart, I can show that essentially the same dynamics were at play at the beginning of the process of European integration and now, although the issues covered by the negotiations have changed substantially. I see no reason to believe that an analysis of the Tokyo Round (1973-79) or the Uruguay Round (1986-94) would result in a different finding.

linear tariff cuts by 50 percent of the tariffs of developed countries. The trade liberalisation that resulted from the ensuing Kennedy Round sharply contrasts with protectionist European trade policies in the 1950s. Was this liberalisation a result of the increased autonomy of public actors from societal demands, as postulated by advocates of the collusive delegation hypothesis?

I suggest that the answer to this question is no. In fact, the available evidence shows that economic interests supported the EU's trade policy stance. Exporting firms became politically active (*Washington Post*, 28 February 1963, C23), and pushed for reciprocal trade liberalisation, which should lead to improved market access in other countries. They accepted linear tariff cuts, but insisted on the elimination of tariff disparities between the US and the EEC (*Washington Post*, 4 June 1964, B5).<sup>3</sup> In practice, this meant that for goods on which the US had substantially higher tariffs than the EEC, the former should make more far-reaching concessions than the latter to achieve a harmonisation of tariff levels. In line with these demands, European governments called for the reduction of high American tariffs to achieve tariff harmonisation.<sup>4</sup> Throughout the negotiations, the EEC insisted on this point, which finally also found its way into the Kennedy Round agreement.

In addition, European exporters pushed for an extension of the scope of negotiations to non-tariff barriers such as the American Selling Price (ASP), a method used in the US to evaluate the price of imported chemicals that inflated the tariffs that

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<sup>3</sup> "Note. Préparation de la Conférence Kennedy. Opinions des producteurs français." 5 February 1963. Archives Diplomatiques, Paris (from here : AD), Service de Coopération Economique, No. 931. 'Stellungnahme der deutschen Landesgruppe der Internationalen Handelskammer zu den Dokumenten der IHK Nr. 102/20 betr. Zolldisparitäten und Nr. 102/21 betr. Nichttarifäre Handelshemmnisse', January 1964. PA, B53-III-A2, No. 276.

<sup>4</sup> 'Aide - Mémoire à l'attention de M. le Secrétaire Général', Bruxelles, 22 October 1962. AD, Service de Coopération Economique, No. 930.

had to be paid.<sup>5</sup> French and German economic interests also demanded that the US accept international rules for the use of its anti-dumping instrument.<sup>6</sup> The Paris section of the French Chamber of Commerce went even further when asking for negotiations concerning domestic American legislation such as internal taxes and the Agricultural Adjustment Act, which allowed the US President to impose quotas for agricultural products.<sup>7</sup> The French Federation of Mechanical Industries, moreover, complained about the Buy America Act, which disadvantaged European producers in American public procurement.<sup>8</sup>

Again, the positions of European governments and the European Commission were in line with these demands. All of them pushed for an expansion of the agenda to non-tariff barriers (*Economist*, 13 April 1963, 171). For example, the French Foreign Ministry suggested that parallel negotiations concerning non-tariff barriers would be necessary.<sup>9</sup> Since also Germany pushed for negotiations at least on the abolition of the American Selling price system, it is no wonder that in its recommendations to the Council of Ministers the European Commission insisted that “[p]ara-tariff barriers should also be considered” in the negotiations.<sup>10</sup>

Not only exporting interests, however, were active in lobbying. Sectors suffering from import-competition, such as the aluminium, ceramics, coal, electrical,

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<sup>5</sup> Verband der chemischen Industrie, E. V., to Ministerialdirigent D. W. Keller, Foreign Office, ‘Wirtschaftspolitik im Chemiebereich 1962/63’, 29 August 1963. Politisches Archiv, Berlin (from here: PA), B53-III-A2, No. 283.

<sup>6</sup> CNPF, ‘Note. Préparation de la Conférence Kennedy. Opinions des producteurs français’ 5 February 1964. AD, Service de Coopération Economique, No. 931.

<sup>7</sup> Chambre de Commerce & d’Industrie de Paris, ‘Futures négociations commerciales en application du Trade Expansion Act’, 9 May 1963. AD, Service de Coopération Economique, No. 930.

<sup>8</sup> F.I.M.T.M. ‘Négociations tarifaires C.E.E./Etats-Unis au sein du G.A.T.T.: Note complémentaire de la Fédération des Industries Mécaniques’, August 1963. AD, Service de Coopération Economique, No. 949.

<sup>9</sup> Ministère des Affaires Etrangères, Direction des Affaires Economiques et Financières, Service de Coopération Economique, ‘Note’, 19 November 1962. AD, Service de Coopération Economique, No. 930.

<sup>10</sup> Communauté Economique Européenne, ‘Négociations a la suite du Trade Expansion Act. Autorisation de négociations tarifaires dans le cadre du G.A.T.T.’, 26 March 1963. AD, Service de Coopération Economique, No. 930.

and glass industries in Germany, and the car industry in France, were demanding exceptions from the linear tariff cuts agreed upon.<sup>11</sup> Throughout the EEC, the textile industry and the agricultural sector (Neunreither 1968, 371-73) were vocal in rejecting trade liberalisation. In accordance with these demands, the EEC pushed for the exclusion of some 19 percent of industrial goods from the linear tariff cuts (*Wall Street Journal*, 16 November 1964, 30). On the exception list were most of those goods for which producers had lobbied for continued protection, such as commercial vehicles and cotton textiles. In addition, the EEC made clear that the agricultural sector would have to be largely exempted from trade liberalisation. In the Kennedy Round, consequently, the EEC's negotiating position was essentially in line with the demands voiced by economic interests.

#### *The EU's push for the Doha Development Agenda*

The EU currently engages in a new round of global trade negotiations in the framework of the WTO, known as the Doha Development Agenda. Preparations for this round started in the mid-1990s, with the EU in the forefront of the countries supporting the commencement of new multilateral negotiations. After a first attempt at starting this trade round failed during the WTO ministerial conference in Seattle in 1999, WTO members finally launched the Doha Development Agenda in November 2001. After the start of the round, however, the negotiations made only slow progress. The WTO ministerial meeting in Cancun in 2003, which was supposed to signal the mid-term of the negotiations, broke down in failure, and the negotiations could be brought back on track only in July 2004, with an agreement on the future negotiating agenda. The Hong Kong ministerial meeting in December 2005, which should have

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<sup>11</sup> Internal paper in the German economics ministry, February 1964. PA, B53-III-A2, No. 290. Chambre Syndicale des Constructeurs d'Automobiles à Monsieur le Ministre des Affaires Etrangères Paris, 7 July 1964. AD, Service de Coopération Economique, No. 932.

decided upon the further negotiating modalities, again did not manage to achieve this aim. The negotiations were suspended for half a year in July 2006, and re-launched at the end of January 2007, but at the time of writing there is still no agreement in sight.

In the negotiations, the EU asked for substantial reductions of tariffs and the elimination of tariff peaks in industrial goods. All WTO members other than least developed countries should agree to the binding of 100 percent of tariff lines to impede future increases. High on the EU's agenda was also a further liberalisation of trade in services, but excluding audiovisual ones. With regard to international rules, the EU insisted on the need for agreements on the so-called "Singapore issues", namely trade facilitation, public procurement, competition policy, and investment rules (EU Council 1999). Finally, with respect to agriculture, the EU was willing to make some concessions, but without completely abandoning the use of quotas or of domestic supports. In late 2005, it suggested cuts of agricultural tariffs of between 35 and 60 percent, a widening of existing quotas, and the complete elimination of export subsidies. While far-reaching, these proposals would still leave most EU producers of agricultural goods with ample protection against foreign competition.

How does this EU position compare with societal demands? An analysis reveals that it is surprisingly close to the preferences of economic interests, often managing to bridge conflicting interests among societal groups. For one, most European business interests have supported the EU's push for new, wide-ranging negotiations. The Union of Industrial and Employers' Confederations of Europe (UNICE), for example, hoped for "comprehensive [negotiations]", to be "concluded by a single agreement" (Unice 1999), a position that was echoed by the European Roundtable of Industrialists. At the national level, practically all broad employers associations, such as the Federation of German Industry, the Confederation of British

Industry, the Movement of French Enterprises, the General Federation of Italian Industry, and the Spanish Employers' Confederation have been sympathetic to the EU's position (see, for example: BDI 2002; CBI 2000; MEDEF 2004; Confindustria 2005; CEOE 2003). Backing also has come from importers, retailers, and traders, represented by EuroCommerce and the Foreign Trade Association at the European level.

Particularly strong has been the pressure for negotiations in the services sector (van den Hoven 2002: 20-21; Böhmer and Glania 2003: 29-32). Service providers in several member states, especially Great Britain, Ireland, and the Nordic states, have been adamant in demanding a further liberalisation of trade in services. In 1999, these providers established a specific organisation at the European level, the European Services Forum, with the sole purpose of defending the industry's interests in the new WTO negotiations (Interview, Brussels, 10 January 2006). Ever since, the European Services Forum has spoken out in favour of a strengthening of the General Agreement on Trade in Services that currently governs international trade in services (European Services Forum 2003 and 2005). The services negotiations were also pushed by industrial producers, who increasingly sell hardware together with complementary services. Given these societal demands, it is no wonder that the EU was the main advocate of a services agreement in the WTO.

Business also supported an international agreement on investments, which should protect foreign investments against expropriation and increase the transparency of national investment policies (UNICE 1999; Foreign Trade Association 2003). Only when witnessing the problems of the negotiators in making progress, some groups became sceptical about the utility of investment negotiations, arguing that an overburdened agenda could protract the negotiations for too long. At the same time,

the negotiations on trade facilitation received increasing support, with European business establishing the European Business Trade Facilitation Network in 2001. Trade facilitation should reduce the costs of trade by streamlining customs procedures, and harmonising data and documentation requirements. An agreement on trade facilitation is a major aim of such groups as the Foreign Trade Association (Interview, Brussels, 13 January 2006), the European Round Table of Industrialists (ERT 2005), the chemical industry (CEFIC 2003b), and the European Information & Communication Technology Industry Association (EICTA 2005).

Again, these demands are reflected in the EU's position. Initially, the EU asked to have the negotiations on the four Singapore issues concluded in form of a "single undertaking", meaning that all countries would have to accept or reject the negotiation results as a package. The EU's hope for wide-ranging negotiations, however, was disappointed at the Doha ministerial meeting in 2001, when especially developing countries opposed its demand for the inclusion of the Singapore issues. In the WTO ministerial meeting in Cancún (2003), the EU once more expected to receive a commitment by the other negotiating parties to extend the scope of the trade round. The agenda of the round, however, was only finalised in July 2004, when the EU fought to salvage the negotiations on trade facilitation, the issue which also seems dearest to European economic interests.

Protectionist interests have become less vocal over time. Nevertheless, some sectors still lobby for exceptions from trade liberalisation. Prominently among them is the audiovisual part of the services sector. The European Broadcasting Union (1999) stresses the "democratic, cultural and social specificity of audio-visual services". Similarly, the European Film Industry GATS Steering Group (2002) points out that the EU should safeguard its current system and should not negotiate in this area. In

line with these demands, the EU defends an exception for the cultural and audiovisual sectors to preserve “cultural diversity” (EU Council 1999). A further group with an essentially protectionist position are the European automobile producers. They advocate the maintenance of a tariff of 6.6 percent against foreign imports, meaning a reduction of the tariff by no more than one third. Once more, the EU’s position echoes industry demands (*Financial Times*, 8 March 2003, 9). Finally, the EU’s defence of less extensive tariff cuts in the textile sector mirrors demands for protection by producers in this industry.

Farmers also clearly oppose trade liberalisation, arguing that such liberalisation would undermine the viability of European small-scale farming (COPA-COGECA 2005). They signal some willingness to accept cuts of trade distorting supports, but only if all developed countries accept the same disciplines, and if the result is fair rather than free trade. Recognising the fact that the EU will have to make concessions on agriculture to achieve its objectives in other areas of the negotiations, several broad business groups try to counter the lobbying effort of farmers, arguing that meaningful concessions in this area are necessary (CEFIC 2003a; MEDEF 2004; see also Böhmer and Glania 2003: 32-33). Others mainly see agriculture as a bargaining chip in the negotiations, which can be used to gain better foreign market access on other issues. As put by the European Services Forum (2004), if the EU does not get a substantial agreement on services, “WTO members cannot expect the EU to give much on agriculture.”

The EU’s position largely bridges these various demands. It stresses the need to establish a “fair and market-oriented agricultural trading system” (EU Council 1999). By conceding just enough on agriculture, it hopes to induce other countries to accept an agreement on the issues where the EU wants to achieve foreign market

opening. For the outward-oriented agricultural interests, it managed to push the issue of protecting geographical indications onto the negotiating agenda of the round. The internal reform of the Common Agricultural Policy in 2003, which was made necessary by financial constraints, allowed the EU to offer some concessions on agriculture in the Doha round, without fearing major opposition from European farm groups. In 2006, however, the EU's decision not to make further concessions with respect to agriculture, which was in accordance with a strong lobbying effort by European agricultural interests (COPA and COGECA 2006), contributed to the suspension of the negotiations.

Overall, therefore, the EU's negotiating position is closely in line with interest group demands. Table 1 subdivides the EU's negotiating position into 19 issues, and shows that on all of them the EU could build on support from concentrated economic interests. What is more, there is little opposition to the EU's negotiating position from concentrated interests: among the few exceptions are the questions of the extent of agricultural liberalization and whether or not to open the trade-related intellectual property rights package. The same cannot be said about nongovernmental organisations, which defend such diverse objectives as environmental protection, more focus on development and regard for human and labour rights. Development groups, for example, want a profound reform of the EU's agricultural policies, which should lead to the elimination of all export subsidies and all trade distorting domestic subsidies (CIDSE-Caritas Internationalis 2005). Environmental groups push for the inclusion of environmental standards in trade agreements.

At the level of rhetoric, the demands of these groups have been taken up in the EU's negotiating position, which refers to the importance of development and the need to protect the environment. Nevertheless, on issues of key concern to

concentrated interests, whether these are farmers or business groups, the EU's position is most often in line with the latter. Illustratively, while nongovernmental organisations make a strong call for unilateral concessions by developed countries, the EU's position is in accordance with economic interests that argue that larger developing countries such as Brazil and India should "have a responsibility to commit to ambitious market opening for goods and services" (UNICE and ESF 2005, see also MEDEF 2004; CEFIC 2003a: 2). This finding does not run counter to the argument made in this paper, however. Rather, it supports the widely held view that diffuse interests find it more difficult to shape policy outcomes than concentrated interests (see for example Dür and De Bièvre 2007).

### **Luck or influence?**

Both cases have shown close parallels between the demands voiced by societal actors and the positions defended by the EU in international trade negotiations, a finding that casts substantial doubt on the collusive delegation argument. Nevertheless, the evidence presented so far does not allow for conclusions about the influence of economic interests over trade policy outcomes. Societal preferences could coincide with policy outcomes by chance only (Barry 1980), although the probability of this being so in this case is very low given that trade policy choices have a series of dimensions. I will shed some more light on this issue when discussing three factors that support the influence rather than the luck conjecture: economic interests' excellent access to decision-makers, their self-evaluation as being influential, and the lack of a plausible alternative explanation for the finding of close parallels between the EU's negotiating position and interest group demands. Even though in this process I cannot present a "smoking gun" that establishes interest group influence beyond

doubt, I still propose that the interest group influence hypothesis accounts rather well for the available evidence.

#### *Access to decision-makers*

In the EU, economic interests have the benefit of first-rate access to decision-makers on trade policy issues. In the case of the Kennedy Round, archival records in France and Germany reveal close consultation between governments and economic interests. In both countries, the governments even informally surveyed all economic sectors to prepare an informed negotiating position. As a result, decision-makers' level of information about the preferences of economic interests was high. In the French case, for example, officials in the foreign ministry knew that the paper sector, which faced competition from Scandinavia, wanted to preserve trade barriers. They also noted, however, that producers of "thin paper", which is used for cigarettes and condensers, were export-oriented and thus requested trade liberalisation.<sup>12</sup>

Similarly, in the case of the Doha Development Agenda, business enjoyed excellent access to decision-makers. For example, the British government, and here particularly the Department of Trade and Industry, has held regular meetings with all actors concerned with trade policy within the Trade Policy Consultative Forum. In Denmark, societal actors have had access to decision-makers on trade policy matters through the so-called "Beach Club process" since 1998 (OECD 2001: 37-38). In addition, the European Commission directly approached trade associations to get information on their preferences before drawing up its own position paper on the new round in early 1999. Illustratively, to get business input for the investment negotiations, the European Commission initiated an informal "Investment Network" in 1998 (European Commission 1998). In the framework of this network, the

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<sup>12</sup> 'Note. Préparation de la Conférence Kennedy. Opinions des producteurs français' 5 February 1964. AD, Service de Coopération Economique, No. 931.

Commission repeatedly met representatives of major companies in the run-up to the Seattle ministerial conference in 1999. The EU also commissioned a survey of 10,000 large companies to get to know their position on the investment talks in the WTO (Taylor Nelson Sofres Consulting 2000). In the document setting out the EU's position on this part of the world trade round, therefore, the European Commission could cite support by European business as a reason for its insistence on an investment agreement: "The European business community has made clear its position in favour of multilateral rules on investment" (European Commission, DG I 1999).

Later, DG Trade upgraded these initial informal meetings into the Civil Society Dialogue, which regularly brings together Commission officials and representatives of nongovernmental organisations and economic interests. Similarly, DG Agriculture organised general hearings with societal organisations before the start of the Doha Development Agenda (European Commission, DG VI 1999). It also has regular contact with societal interests through a series of advisory groups that are composed of representatives of agricultural producers, traders, and consumers. Both DGs continue having less formal meetings with the peak agricultural and business associations (see for example COPA and COGECA 2006). Overall, therefore, both in the Kennedy Round and in the Doha Development Agenda, economic interests enjoyed privileged access to decision-makers, a condition that should have facilitated their attempts at influencing outcomes.

### *Self-assessment of influence*

A small survey of business and farm groups with an interest in trade policy provides further evidence that economic interests actually manage to influence European trade policies (De Bièvre and Dür 2005). We approached 100 groups, chosen randomly

among all groups registered in the Civil Society Dialogue database of the European Commission (excluding those which have their base in third countries).<sup>13</sup> Our response rate was 47 percent, with about half of the respondents filling in the online questionnaire only after being called by phone. The respondents fall into two categories: nongovernmental organisations (26) and business and agricultural constituencies (21). One of the questions posed was how these groups themselves evaluate the extent to which their activities affect European trade policy, with the possible responses being to a large extent, to some extent, not really, and not at all. Of the 21 organisations representing economic interests, 20 responded with “to a large extent” or “to some extent”. Qualitative evidence also points in the same direction. Representatives of some trade associations even suggest that they perceive of the European Commission as a service institution, with the task of representing European business interests in international trade negotiations (Interviews with EU business organisations, Brussels, January 2006).

Given this self-assessment of influence, it is no wonder that economic interests generally tend to be quite satisfied with the EU’s negotiating position. Illustratively, the German Chambers of Industry and Commerce strongly welcomed the results of the Kennedy Round (*Frankfurter Allgemeine Zeitung*, 17 May 1967, 1 and 4). More recently, economic interests explicitly praised the EU’s efforts to push for progress in the services sector in the Doha Development Agenda (UNICE and ESF 2005). The European Services Forum (2004) lauded the efforts of the “Commission’s hard-working negotiating team.” Even agricultural interests, although concerned about possible concessions to foreign countries, are mostly satisfied with the negotiating position of the EU (COPA-COGECA 2000).

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<sup>13</sup> See <http://trade.ec.europa.eu/civilsoc/search.cfm?action=form>, last accessed on 18/09/2006.

### *Alternative explanations of the observed pattern*

It is difficult to find an alternative explanation, not based on interest group lobbying, for the observation of a close reflection of the demands voiced by economic interests in the EU's negotiation position. One argument suggests that economic interests often adopt rather than influence the position of decision-makers (Yoffie and Bergenstein 1985; Woll and Artigas 2005). If firms realise that they have to interact with government repeatedly, their rational response may be to establish a special relationship with decision-makers (Woll and Artigas 2005). By supporting the latter on some issues, societal actors may gain access to policymakers for issues that are more important to them (Yoffie and Bergenstein 1985:131). Alternatively, groups' need for public funding (Mahoney 2004) may provide them with an incentive to assume positions that are welcome to decision-makers.

While these arguments may capture part of reality, they have to assume that decision-makers have specific preferences concerning trade policy, independent from societal demands. But this just raises the question where these preferences come from. A possible response is that economic efficiency and an attempt to boost the competitiveness of the European economy were the actual driving forces behind the EU's trade policy stance in both negotiations. This argument, however, is put into doubt by the EU's defence of exceptions for import-sensitive sectors in both negotiations. Import-competing sectors were politically more active in the 1960s than they are now, but the EU still stands up for the interests of audiovisual services providers, automobile producers, and the textile and agricultural sectors. In particular, the EU defends the Common Agricultural Policy although cheaper imports of food and an alternative usage of the funds used to support agricultural production in Europe would most likely boost the competitiveness of the European economy. The argument

positing that economic interests adopt a position that pleases public actors is also put into doubt by the fact that the positions defended by different firms and sectors is easily explained by their competitive position, that is, whether they are struggling with imports or able to sell on world markets. In short, alternative arguments fall short of fully accounting for the parallels between the EU's negotiating position and interest group demands. Interest group influence remains as the most plausible explanation for the available evidence.

### **Conclusion**

Several existing accounts of the making of EU trade policies stress the relatively large independence of decision-makers from societal interests. The argument is that delegation of trade authority from the national to the European level insulated policymakers from protectionist interests. This insulation, so the argument goes, explains the shift from protectionism to liberalisation witnessed since the 1960s, as policymakers could implement "good" economic policies in the absence of societal pressures. I have countered this interpretation with empirical evidence on the coincidence between societal demands and the EU's position in trade negotiations in the Kennedy Round and the Doha Development Agenda. The two case studies show striking parallels between the positions defended by economic interests and public actors. Even in situations in which EU governments have to find issue linkages to come to an agreement, the resulting trade policies tend to be tailor-made to avoid the imposition of concentrated costs on constituencies in any member country. Although this correlation between demands and the EU's negotiating position by itself does not allow for the conclusion of interest group influence, several factors suggest that reference to influence is needed to explain trade policy outcomes.

“Collusive delegation”, consequently, may not be as forceful as sometimes claimed. Little evidence supports the view that the EU acted against the demands of economic interests when liberalising trade after the creation of this customs union. Moreover, it seems that domestic input into European trade policies remains important. In this view, the EU did not choose trade liberalisation because it is a “good policy”, but because societal interests, initially mainly exporters and later also importers and retailers, pushed for it. This is not to say that the system of interest group input into EU trade policies is unbiased. The policymaking process actually seems to favour concentrated over diffuse interests (see also Dür and De Bièvre 2007). The latter, although increasingly vocal on European trade policy through a variety of nongovernmental organisations, generally tend to have little impact on policy formulation. Criticisms of the legitimacy of the EU’s trade policymaking process, which recently have become more pronounced (see Meunier 2005, Chapter 7), should therefore be directed at the unequal representation of concentrated and diffuse interests rather than at the autonomy of state actors from economic interests.

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**Table 1: EU negotiating position and sectoral demands in the Doha Development Agenda**

<b>EU position</b>	<b>Supporters</b>	<b>Opponents</b>
Tariffs on non-agricultural products: far-reaching cuts, elimination of peaks, sectoral zero-tariff agreements	Chemicals; food and drink industry; information and communication technologies; iron and steel industries; mechanical, electrical, electronic and metalworking industries; non-ferrous metals; spirits	
Lower tariff cuts for some products	Automobile manufacturers; textiles	Retailers
Reduction of non-tariff barriers	Automobile manufacturers; chemicals; information and communication technologies; mechanical, electrical, electronic and metalworking industries; non-ferrous metals; spirits	
Services: far-reaching liberalisation	Mechanical, electrical, electronic and metalworking industries; services sector	Labour unions, development groups
Exception for audiovisual services	Audiovisual services providers	
Trade facilitation	Chemicals; iron and steel industries; mechanical, electrical, electronic and metalworking industries; retailers	
Multilateral investment rules	Construction sector; electricity sector; iron and steel industries; mechanical, electrical, electronic and metalworking industries; services sector	Nongovernmental organisations
Competition policy: transparency, non-discrimination	Construction sector	
Public procurement	Iron and steel industries	
Strengthening of intellectual property rules	Mechanical, electrical, electronic and metalworking industries; services sector; textiles	Pharmaceutical industry (protect the <i>acquis</i> )
Protection of geographical indications	Agricultural sector; food and drink industry; spirits producers	
Revision of antidumping rules (both offensive and defensive demands)	Iron and steel industries; non-ferrous metals	
Defend the Common Agricultural Policy	Agriculture	Some industrial interests; some development groups
Cut agricultural subsidies	Most industrial interests	Agricultural sector; food and drink industry
(Nearly) tariff free treatment for least developed countries	Practically everybody	
Reciprocity from “more advanced” developing countries	All economic interests	Development groups
Clarification of relationship between WTO rules and multilateral environmental agreements	Environmental groups, most industrial sectors	Some environmental groups (not far-reaching enough)
Strengthening of precautionary principle	Agricultural sector, some nongovernmental organisations	Biotechnology industries
Labour standards, but not linked to trade sanctions	Most industrial interests	Some labour unions (would like to see trade sanctions)

*Source:* own compilation based on the position papers of 16 EU-level sectoral trade associations and some nongovernmental organisation.