European Union Trade Policy after Enlargement: Does the Expanded Trade Power Have New Clothes?

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Abstract

The paper discusses the impact of the enlargement of 2004 on the European Union (EU)’s common commercial policy. There exists a research gap as to how policy-making (and thus policy outcomes) has changed as a result of the recent enlargement process. This paper sketches the likely effects of Eastern enlargement in terms of trade interests, policy preference aggregation and policy outcomes. The paper makes two main arguments. First, due to the importance of the single market for new Member States, the effects of enlargement on external trade policy are rather limited. On balance, protectionist forces have been more strengthened than liberal forces. Second, guided by a principal-agent framework, it is argued that the growth of veto players (number of principals) has not constrained the role of the Commission (agent). However, it has led to an increase in informal processes (to the detriment of more genuine debates in more formal processes) and has empowered large trading nations vis-à-vis smaller and less “comitology-experienced” Member States.

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Introduction

On 14 July 2008, six European ministers responsible for trade called in an open letter for the EU to live up to its responsibility and push for a Doha trade deal. The letter was signed by so-called liberal Member States, indicating a split within the EU on the degree of concessions to be made (mainly on agriculture) and the importance of opening markets through the use of the multilateral trading regime. Four of the six signatories were representing new Member States (Czech Republic, Estonia, Latvia and Slovenia). While Brussels insiders are not surprised by the list of signatories and the call by the liberal camp, the academic literature has paid barely any attention to the way new Member States shape EU trade policy. This article sketches the likely effects of the process of Eastern enlargement in terms of trade interests, policy preference aggregation and policy outcomes.

The study of European trade policy has recently gained increased attention from scholars within the fields of international policy economy and European studies. The question of “who governs” has sparked a fruitful debate among EU trade scholars. Three camps stand out: First, pluralists who focus on the role of interest groups (in particular business), second, intergovernmentalists who attribute dominance to the leading trading nations, third, supranationalists who allocate significant influence to Community institutions, such as the European Commission (see De Bièvre and Dür 2005, Dür 2008, Elsig 2007, Meunier 2005, Young 2002). As trade policy has become a prime instrument of EU foreign policy, it has further attracted the interest of foreign policy analysts and interna-

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tional relations scholars. The EU is today the leading trade power as measured by trade flows, market access and foreign direct investment. It is a leader in multilateral trade policy and has recently re-joined the bandwagon of making bilateral and regional preferential trade deals. Not surprisingly, more attention is paid to the question of the type of power the EU exhibits and projects (Meunier and Nicolaidis 2006).

This paper focuses on enlargement effects and attempts to address a largely uncharted analytical and empirical territory. It uses trade data to derive interests and applies a principal-agent framework to discuss the unfolding politics of preference aggregation and the role of the European Commission (thereafter Commission). The paper makes the following arguments. First, due to the importance of the single market for new Member States, the effects of enlargement on external trade policy are rather limited. Overall, protectionist interests have received more support than liberal forces. The impact is visible in the area of trade defense instruments and is reflected in the degree of willingness to grant concessions (in agricultural market access) in the current multilateral trade negotiations. Second, the growth of veto players (number of principals) has not constrained the role of the European Commission (agent), but has led to an increase in informal processes (to the detriment of more genuine debates in more formal processes). This process is likely to have empowered large trading nations vis-à-vis smaller and less “comitology-experienced” Member States.²

The paper is structured as follows: First, trade data and economic indicators are presented to discuss the interests of the new Member States. This serves as a proxy to predict the lobby profile and balance of interest among business groups and helps in understanding how government

² This research is based on an analysis of primary and secondary documents and qualitative interviews carried out in 2006, 2007 and 2008.
officials interpret national economic interests (and thus formulate policy strategies). Second, we briefly outline the impact of enlargement on the use of regulatory venues of trade policy (multilateralism, bilateralism, unilateralism). Third, guided by a principal-agent framework, we discuss policy preference aggregation in an enlarged EU. Fourth, we investigate the likely effects of growth in principal size.

**Deriving interests**

The trade literature on deriving interests is well established. Classical trade theory predicts who should favor what type of liberalization strategy (Rogowski 1989, Hiscox 2002). It is also well known that interests are not equal to influence as the peculiarities of collective action and the role of institutions in interest aggregation need to be factored in (Olson 1965). In the case of the EU, the strong opposition of EU farm lobbies and the lukewarm support of EU services industries for the current Doha trade round come as no surprise. However, the EU has made a substantial offer in the round to reduce its trade protection in the agricultural sector in exchange for gaining better access to emerging markets in industrial products and services.

Below, we present some economic and trade data pertinent to a discussion of the potential interests of the new Member States. On the aggregate level, it is difficult to sketch an overall trade profile of the EU as the sector-specific competitiveness of countries varies. In addition, the regulatory environment still differs from one Member State to another. From a long term perspective, the EU is moving towards service-oriented and high tech industries. But the focus on the higher value chain does not apply to all economies equally. The accession of former European Free Trade Association (EFTA) countries (Sweden, Finland, and Austria) in
the mid-1990s has largely supported a more liberal, open trading system due to the high export dependency of these countries. In particular, Sweden has exhibited a liberal profile. In terms of economic weight (measured in GDP) the most recent accession process including 12 countries is similar to the EFTA enlargement. However, if other indicators are compared (e.g. potential market size or voting power) the Eastern enlargement has been substantial.

Below, we present some trade data and economic indicators to derive a proxy for interests that in turn impact on how the EU regulates trade. A country with a relatively strong agricultural sector and important market shares within the European market is expected to be more critical about liberalizing markets for agricultural produce through reduction of border protection and elimination of internal support. While it goes beyond the scope of this paper to define country-specific interests, current trade flow data can serve to predict positions on the variety of regulatory options in trade policy across the multilateral-unilateral spectrum. Table 1 summarizes the economic profile.

- Table 1 here -

Of the 12 new Member States (NMS-12), the big four economies are Poland, Czech Republic, Hungary (all acceded in 2004) and Romania (acceded in 2007). Together, they represent 76.5% of total GDP of the NMS-12. In terms of the contribution to overall country-specific GDP shares,

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4 Under the current formula (Treaty of Nice), decisions in the Council can be taken by majority voting in many areas of trade policy (majority of countries, votes (74%) and population (62%)) – voting weight (EFTA 7.8%, NMS-12 31.5%) and population (EFTA 4.6%, NMS-12 21.1%). Under the Lisbon Treaty, the double majority consists of a majority of countries representing 65% of the population size.
agriculture and industry as sectors are above the EU-15 average (4.9% vs. 2.77% in agriculture, 29.93% vs. 27.24% in industry). Noteworthy is the contribution of the agricultural sector to GDP in Poland (16.1%), Romania (7.9%) and Bulgaria (6.3%) and the size of workforce in the agricultural sector (average 8.9% for NMS-10).\(^5\)

Additional information can be derived from the patterns of trade flows. Table 2 indicates the proportion of intra-European export flows in relation to all exports. The average of the EU-27 is 69.58% and the average of the big 4 (France, Germany, Italy and the UK) is 61.5%. This figure is higher for the Central and Eastern European new Member States that joined in 2004 (NMS-8) (75.48%).

- Table 2 here -

Table 3 shows the market shares of the NMS-8 for intra- and extra-EU exports in trade in goods (total and agricultural products). The overall share of the NMS-8 in extra-EU exports is 5.61%, whereas it is significantly higher for intra-EU exports (9.57%). The pattern for agricultural products, however, is reversed as the proportions of NMS-8 exports are higher for extra-EU exports (7.73%) than for intra-EU exports (6.99%). In other words, the dependency on the single market and its actual share is more important for industrial products than for agricultural products.

- Table 3 here -

\(^5\) NMS-8 is defined here as the 8 Central and Eastern European countries that acceded in 2004 (Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovak Republic, Slovenia). For Bulgaria and Romania, which have recently joined, the trade flow patterns prior to accession are not considered. Malta and Cyprus are not included in the NMS-8 (but are in the NMS-10).
As table 2 shows three-quarters of all exports of the NMS-8 are intra-European; this stresses the significance of the internal market (and thus internal market regulation) in relation to extra-EU export markets. What are the current export markets beyond the EU-27 single market? Table 4 indicates some interesting patterns that assist us in identifying interests of the new members in the evolving debate on choosing partners for negotiating preferential trade agreements (PTAs) (see next section). The Baltic States have strong trade relations with Russia. Poland and the Czech Republic have various important export markets ranging from Russia, the Candidate Countries, the Mediterranean Basin, to the US. Hungary has strong trade links with the Candidate Countries and the Mediterranean Basin. The same applies to Slovenia and the Slovak Republic. The Slovak Republic has, in addition, strong trade links with the United States. In sum, trade flows are mainly directed at the wider Europe, Russia and the Mediterranean Basin.6.

- Table 4 here -

Current trade profiles are a first-cut proxy to understand the preferences of Member States. The above data should be supplemented with a focus on the competitiveness of industry and services sectors to allow one to understand the positions taken with respect to liberalizing strategies.7 In sum, as external EU trade is for many new members less important than the single European market, this should be reflected in the “sali-

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6 While trade flows with the US are substantial, there is little incentive to engage in a special trade agreement with the US, not least because few regulatory obstacles exist for the transatlantic market place that could be tackled within a PTA scheme.

7 In addition, a thorough analysis of border protection (e.g. tariffs) and effects of non-tariff barriers to trade (e.g. standards) and internal support (e.g. through subsidies) is needed, see WTO 2007.
ence” given to certain priorities in external trade policy and the various regulatory venues to liberalize trade.

The New Member States and the EU Trade Venue-Mix

The above data suggest that external trade policy is not equally salient for new Member States and for the largest EU exporters (see Table 2). However, low saliency does not lead to absence in the trade policymaking process. On the contrary, new Member States have at times developed clear positions on offensive and defensive trade measures to be applied externally. This section discusses the overall attitude to the various venues to regulate trade.8

The EU is a prime user of multilateral, regional, bilateral and unilateral venues to regulate trade. The overall priorities regarding the choice of venue have changed with the incoming José Manuel Barroso Commission reflected in the EU’s Commission Communication “Global Europe” (European Commission 2006a, Elsig 2007). Inspired by the Lisbon competitiveness agenda, more attention is paid to gaining additional market access, engaging in new PTAs and tackling specific trade barriers to European business. A new pragmatic venue-shopping strategy has been advocated. New initiatives to negotiate PTAs in Asia have been pushed. In addition, Global Europe included an agenda for looking into the effectiveness of trade defense instruments (TDIs) with a view to constraining overtly protectionist practices. In particular, the new embrace-ment of bilateralism stands in sharp contrast to the approach followed by the previous Romano Prodi Commission orchestrated by the influential Directorate-General (DG) Trade Commissioner Pascal Lamy. During the

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8 In the remainder of this article, we mainly focus on the NMS-8.
period of the Prodi Commission, a moratorium on launching new bilateral trade negotiations (excluding the close neighborhood trade relations) was imposed from 1999 onwards. However, with the arrival of DG Trade Commissioner Robert Mandelson in 2004, the rhetoric turned away from geostrategic orientation and from the creation of a multi-polar trade world towards embracing market-access and exporter protection policies through offensive and defensive trade policy approaches. This new (but also partially pre-1999) strategy was not yet influenced by the new Member States, but they clearly had a say in its implementation. Let us turn to three venues and discuss briefly the attitudes of new Member States towards the Doha trade round (known as the Doha Development Agenda (DDA)), priorities with respect to a new generation of PTAs and preferences as to changing the EU anti-dumping (AD) legislation.

Interviews with trade officials confirm lukewarm support for the multilateral trading system as the backbone of the EU’s external trade policy. New members are not equally supportive of the EU’s active lead in negotiations within the World Trade Organization (WTO) by offering concessions. The concessions (predominantly seen in reduction of internal support, border protection and export subsidies within the agricultural sector) are to be balanced with other trading partners’ opening of markets for non-agricultural goods and services, as well as the increasing application of intellectual property rights for certain food products. A Hungarian trade official stated that “the EU should not be acting as the only banker writing checks in this round”.9 Not surprisingly, more liberally inclined members have joined in supporting Sweden and the UK to push the DDA by offering some flexibility to the EU position advocated

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9 Interview, trade official NMS, 133-Deputy, 17 May 2006.
by DG Trade Commissioner Robert Mandelson.\textsuperscript{10} This support was made public by a group of Member States which jointly wrote a letter published in the \textit{International Herald Tribune} prior to the failed package negotiations of July 2008. The group included Trade Ministers from the Czech Republic, Estonia, Latvia, and Slovenia. Not surprisingly, Ministers from Poland and Hungary abstained from signing the letter.\textsuperscript{11} On agriculture, in particular Poland and Hungary support the French lead in protecting the European agricultural industry.\textsuperscript{12} Various publically voiced allegations by French President Nicolas Sarkozy that the Commission had overstepped its mandate are an illustration of the protective stance on agriculture taken by a large number of EU states. Given the relatively small value of exports to emerging markets in goods and services, the opening up of these markets does not seem to be of strategic interest to many of the NMS-8 (see Table 4).\textsuperscript{13} Not least, improved market access to the European market for emerging economies’ companies could have an effect on FDI flows in terms of production and may put many industries under increased competition within the single market.

In relation to a new generation of PTAs, recently acceeded Member States (NMS-8) support the general approach towards widening market access. Yet, given their current trade flows (see table 4), they prefer different prioritization for choosing PTA partners. They are pushing for in-

\textsuperscript{10} In the July 2008 package negotiations, Commissioner Mandelson moved first (alongside the US) to offer an additional reduction of border protection to EU farmers.

\textsuperscript{11} It is noteworthy that Poland and Hungary have been members of the GATT since 1967 and 1973, respectively. Former Czechoslovakia was a founding member of the GATT in 1947; it joined before the Communists seized power in 1948. The other NMS-8 countries joined shortly before and after the creation of the World Trade Organization (see www.wto.org). Hungary was part of the Cairns Group to liberalize agricultural markets during the Uruguay Round. Since its accession, its position on multilateral liberalization of agricultural markets has markedly changed.

\textsuperscript{12} Interview, trade official, 133-Deputy, 25 June 2008.

\textsuperscript{13} Current trade flows to China, other dynamic Asian economies and Latin America represent a small part of their extra-EU27 exports (Czech Republic: 11.22%; Estonia: 10.8%; Latvia: 5.61%; Lithuania: 9.2%; Hungary: 8.45%; Poland: 9.99%; Slovenia: 2.63%; Slovak Republic 8.64%), see Table 4.
creased market access to Eastern and Southern European countries. The inter-regional approach (e.g. with Mercosur, the Gulf Cooperation Council and the Association of Southeast Asian Nations (ASEAN)) receives only lukewarm support, as exporting a European model or creating a multipolar trade world is not of prime importance to new Member States. New Member States are not guided by particular geostrategic or other foreign policy-driven interests based on colonial history, nor are they driven by a particular development agenda (e.g. EU relations with African, Caribbean and Pacific (ACP) states). New members welcome a more economy- less politics-focused approach to PTAs. Given low saliency, they act strategically, as witnessed by a Hungarian trade official “we might support Spain in the EU-Mercosur negotiations, if Spain supports the opening of trade negotiations with Ukraine.”

In relation to trade defense instruments, there has been a split among new Member States as to the need, scope and direction of reform. The EU Commission’s Green Paper on TDIs subtly suggests reviewing current practices and design given the changing global economy. The Commission has substantial discretion in the process of investigation which the incoming DG Trade Commissioner pushed to be used in a “liberal way”. In response to mounting criticism on the evolving practices, the Commission launched a consultation process to attract support for modifying the application. In particular, the Commission pledged to review the balancing of key interests, increasingly taking into account the

14 The development of EU exports from 2000 to 2005 underscores the growing importance of markets of the Commonwealth of Independent States (increase from 3.8 to 7.5%), while other markets have remained stable (Asia around 23%, Africa 8%) or have declined (US from 37 to 31.6%), WTO 2007.
15 Interview, trade official NMS, 133-Deputy, 17 May 2006.
16 The Green Paper also included anti-subsidy practice; however, anti-subsidy measures are not frequently applied.
17 Stakeholders lamented these administrative changes (coupled with appointment of new officials) as an incremental reform step by the backdoor (interview, business lobbyist, 2 July 2008; interview, lawyer specialized in AD cases, 24 June 2008).
fact that “EU companies now produce goods outside the EU for import into the EU, or operate supply chains that stretch beyond the EU market” (European Commission 2006b:3). The reform proposals suggest a more liberal treatment of AD cases, such as strengthening the community interest over specific sector concerns, granting least-developed countries special status, consulting third countries prior to launching investigations, considering start-up costs for new exporters, changing the scheme for the calculation of damage, cutting application time frames, and increasing certain thresholds for expiry reviews, among others. In particular, the Commission envisaged paying more attention to the community interests and the interests of EU exporters and retailers to decrease the influence of specific protectionist industries. The majority of new Member States have been skeptical about changes in the actual AD design; with respect to the balancing of interests, the membership is split.\footnote{Support for giving more importance to community interests (11 in favor, 12 against), to change the current treatment of importing firms or those related to exporters (8 in favor, 9 against), European Commission 2007.} Few of the new members have joined a liberally-inclined like-minded group to reform AD. The Czech Republic, Estonia and Latvia stand out.\footnote{Interview, trade official, 133-Deputy, 25 June 2008.} Others have largely supported the status quo as witnessed in the Green Paper consultation and in discussions within the advisory Committee (Art.133). Eastern enlargement has made a reform more unlikely. The stance of many new Member States (e.g. Poland, Hungary, and the Slovak Republic) is also rooted within the historical context. They themselves have been users of AD and a target of AD measures by other partners (in particular the EU) prior to joining.\footnote{See Global Antidumping Database, http://people.brandeis.edu/~cbown/global_ad/} In addition, many industrial sectors face competition from
emerging markets, such as China, Korea or India, thus making the option of access to AD measures more appealing.21

**Interest Aggregation in an Enlarged EU**

Interest aggregation within the EU occurs across many levels. At the EU level, an important institutional tool is voting power. As most trade issues have over time moved under the exclusive competence of the EU, the possibility of qualified majority voting is more and more influencing the talks between the Commission and the Member States. The recent design changes on voting powers for Member States has focused in particular on the balance of power between large and small Member States. While voting power is a proxy for influence, we will focus on the likely effects of enlargement on various principal-agent relationships (PARs). By doing so, the paper builds on earlier work on principal-agent (PA) theory that goes beyond a narrow reading of agency (Pollack 1997, 2006; Elsig 2002, 2007). The agent is represented by the Commission and the Directorate-General Trade headed by a Commissioner.22 Collective principals are the group of Member States that have a contractual relationship with the agent and have instruments at their disposal with which to delegate and control (Nielson and Tierney 2003). In the context of trade policy, Member States delegate many of the principal control and oversight tools to a specialized trade advisory Committee (Art. 133 Committee). In contrast, the concept of multiple principals includes a larger group of competing actors that attempt to influence the agent; these include (beyond the Member States) the European Parliament, the European Court of Jus-

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21 In particular, the Chinese competition has been felt (interview, business lobbyist, UNICE (today BusinessEurope), 16 May 2006).

22 For the purpose of this paper, I do not consider various PARs within the Commission and within DG Trade.
tice and societal interest groups. What has been overlooked in the PA literature is the effect of an increase of collective and multiple principals for the various PARs. While not using PA as an explicit framework for analysis, some scholars expect that the Council will be empowered vis-à-vis the Commission (Moravcsik and Vachudova 2003). A similar argument from the veto literature predicts a weakening of agents as growth in principals (Member States and lobby groups) will curtail the agent’s discretion to act; and with the growth of veto players the win-sets for international negotiations will decrease (Tsebelis 2002). This paper follows another approach by attempting to locate the mechanisms and conditions under which an empowerment (or a non-weakening) of the agent develops that cannot be predicted by standard veto literature.

The Commission in EU trade policy has more discretion than is often the case for agents in international organizations (Hawkins et al. 2006). I have argued elsewhere that this is largely due to “autonomy by design” (Elsig 2007). The Commission has been given agenda-setting power since the inception of the Common Commercial Policy (Elsig 2002), it can submit proposals for mandates to negotiate international trade agreement including the choice of trading partners and objectives. This power was given to the Commission together with the mandate to represent the European Communities as negotiator in international trade negotiations (Meunier and Nicolaidis 1999). In addition, the Commission is an important actor in the implementation of TDIs. Agenda-setting, the role of the negotiator and various implementation tasks were necessary delegation steps for the community to improve the efficiency and to act as a credible negotiator (for a discussion, see Elsig 2007). At the same time,

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23 As the European Parliament still lacks the powers, we focus here on the Commission, the Member States representatives and business groups (as the main lobby forces). Other non-governmental interest groups have little impact (Dür and DeBièvre 2007). However, the main body for “making deals” between the Commission and Member States remains the Article 133 Committee.
delegation has led to constraining Member States’ abilities to act collectively to sanction the agent due to high institutional thresholds. Most pluralist approaches fail to capture the true role of the agent. Policy outcomes in EU trade policy cannot be explained by a simple “protection for sale” argument or by focusing on campaign financing (Grossman-Helpman 1994).

The “autonomy by design” described above is further fostered by the peculiar logic of EU lobbying within a multi-level system which attributes to the Commission an important role. There are different “structures of lobbying subsystems surrounding the European Commission” (Broscheid and Coen 2007:348). There is systematic evidence that privileged access and influence based on various forms of information (Bouwen 2002) has led to a peculiar system of lobbying insiders (Broscheid and Coen 2007).24 The actors (in particular lobby groups) (within various PARs) exchange information (expert knowledge, acceptance, implementation-related information) in order to improve access to the Commission. Lobby groups interact directly with the Commission and its services at the European level and with the national ministries at the domestic level. The lobbyists usually pursue a two-channel-strategy (see Woll 2006, Woll 2007). At the national level, they lobby politicians and regulators by appealing to national economic interests signaling the effects of regulatory trade measures on national politics, including employment and investments. At the European level, lobbyists largely work with Commission officials directly appealing to European interests.25 In this particular ex-

24 On the different access possibilities due to the form of business organization, see Bouwen 2002; on the role of resource dependencies, institutional opportunities and capacities of interest organizations, see Eising 2007.

25 Access to the Art 133 Committee is difficult and is gained via the national access points (interview, business lobbyist, UNICE (today BusinessEurope), 16 May 2006).
change, the Commission does not appreciate babbling.\textsuperscript{26} Lobbyists are expected to offer constructive solutions that fit in with EU-wide trade policy objectives. There is a risk of loss of reputation if information is found to have been manipulated or double talk uncovered (Eising 2007).\textsuperscript{27} Lobby groups supporting the Commission (by providing important information and signaling overall acceptance of the direction of policy proposals) are able to influence the shaping of the details of trade regulation or related trade policy instruments (Woll 2007). One influential lobbyist representing the chemical industry stated that if their position differs from the Commission’s stated objectives, “we need to think carefully how to lobby the Commission in order not to be ignored.”\textsuperscript{28} In addition, large multinational firms can use both venues more regularly as they face fewer resource limits.

Autonomy and the peculiar logic of lobbying can be used by the agent to pursue its own interests. The Commission behaves as an interest group itself, as a sort of primus inter pares advocate (Baumgartner 2007). I assume that agents within DG Trade attempt to increase general welfare through the use of various trade policy measures. On average an official of DG Trade is more liberal than the median member of the collective principal body.\textsuperscript{29} A special case is the Commissioner in charge of trade policy, as political ideology may influence the daily work of the Directorate-General. The current Commissioner is more liberal than his predecessor. Thus, acknowledging agency autonomy and assuming preferences

\textsuperscript{26} Babbling is defined as a standard recommendation based on interests of the group without taking into account the receiver (Broscheid and Coen 2007).

\textsuperscript{27} “If possible gains are large, lobbyists have a stronger incentive to babble, as the size of the policy gains outweighs the possibility of losing access” (Broscheid and Coen 2007:351).

\textsuperscript{28} Interview, business lobbyist, chemical industry, 3 July 2007.

\textsuperscript{29} I assume that DG trade officials are more in favour of opening markets than of protection. However, depending on ones daily tasks as a trade official, one is constantly lobbied by particular interests that affect over time the views one holds, e.g. if an official works on implementing the trade barriers regulation, she might even more believe in the need to opening up markets, while an official administrating TDI might share too easily the concerns of the business alliances that favour protectionist measures.
that are in aggregate business-friendly, we cannot simply infer that if interests with business groups overlap this is due to control by principals.\textsuperscript{30}

An agent can employ various tools to use the autonomy given by design and institutional settings, including filling gaps, exploiting information asymmetries, building buffers against expected principal sanctioning, or management of access (see Elsig 2007).\textsuperscript{31} The last instrument is also known as building permeability, to give more preference to some groups than to others, structuring “public input and information gathering in such as way as to favour outsiders with similar preferences” (Hawkins and Jacoby 2006:209). This building permeability strategy is visible in day-to-day trade policy-making. It refers to relations with business groups where similar preferences are prevalent. The agent is looking for accurate information. The Brussels bureaucracy does “not seek funds for re-election but rather looks for a policy community that may provide a source of grass-roots and European-level information” (Broscheid and Coen 2007: 349). The Commission gives preferential access to those that provide it with the necessary information. These actors are routinely consulted and receive invitations to information events and workshops (Broscheid and Coen 2007). Access helps lobby groups in turn to influence debates in the early stages of the policy process (Coen 1998). Building permeability can go further when EU institutions actively encourage the creation and establishment of formal arenas for political debate (Mahoney 2004). The push for launching business alliances to support certain negotiations (Mercosur-European Union Business Forum (MEBF)) or the creation of the so-called Civil Society Dialogue in 1998, serve as illustra-

\textsuperscript{30} See debate on observational equivalence, Damro 2007.
\textsuperscript{31} For a constructivist view on how agents use their autonomy, see Barnett and Finnemore 2004.
tions of how DG Trade attempts to shape interaction with interest groups and to search actively for support for its overall trade policy strategies.

Managing permeability is also a strategic tool when the Commission interacts with individual members of the collective principal bodies. Within the comitology work, Member States and the Commission are interacting beyond formal settings, such as the Art.133 Committee meetings. The Commission can exploit information asymmetries building on its large network of missions and official representatives around the globe. This information asymmetry mostly exists vis-à-vis smaller Member States, as many of the smaller trading nations lack a similar net of contact points supporting data gathering in foreign markets.32 In sum, agency activism is characterized by a mix of using agenda-setting power, exploiting information asymmetries, using the discretion offered through AD investigations and strategically building informal alliances with business groups and Member States. However, a division of Member States’ interests on the trade policy issues under discussion is a precondition for agency activism in trade policy.

The effects of additional principals on agent autonomy (and other consequences)

Given above conceptual framework, how has the increase of principal size affected various PARs? How does it affect lobbying processes? We expect more density of actors in Brussels and babbling-type lobbying at the national level following the double logic of access.

Interview material suggests that many business associations of the new Member States are still in the process of building up their capacities

at home and in Brussels. In terms of business lobbying at the domestic level, evidence from interviews suggests that its influence is limited.33 Business associations have not yet fully become acquainted with a new mode of state–business relations. Many actors have been socialized in a setting dominated by a command and control market system.34 In addition, business groups need to build up the organizational structures in order to effectively lobby national decision-makers. Governments often formulate national positions without proper consultation with their stakeholders. One trade official lamented the fact that “we organize information events, but we get so little feed-back, (...) and at the end of the day, we need to formulate a position.”35 Moreover, there is little input from many foreign-based multinationals with stakes in trade policy. Government officials assume that absence of domestic lobbying in the country of production is compensated by lobby activities via other channels and other capitals.36

The above evidence suggests that the country representatives enjoy substantial discretion as to the definition of external trade policy priorities. Nevertheless, I assume that the positions of the Member States representatives largely overlap with national business interests in an attempt to maximize the overall welfare-optimizing trade strategy for the country (similar to the DG Trade to representing European business interests). Where there is insufficient information from the affected business groups, governmental actors define the positions based on a reading of a variety of economic indicators, including sector interests and impact on employment. In some cases, ideas can play an important role, when

33 Interview, trade official NMS, 133-Deputy, 17 May 2006; trade official NMS, 133-Deputy, 24 June 2008.
34 Not to forget the historical role of state-owned companies, interview, trade official NMS, 133-Deputy, 23 June 2008.
36 Interview, trade official NMS, 133-Deputy, 23 June 2008.
elected politicians influence the positions taken by the bureaucracy. Interviewees have hinted at such an effect in the case of the Czech Republic, where the free-market orientation of the governing party coalition (in particular the Civil Democratic Party (ODS)) casts many of the positions on trade issues in a liberal light. A large number of positions taken on trade policy reflect a general liberal orientation and can be less well explained by actual trade patterns.37

While lobbying activities increase slowly at the domestic level, the access to the European level is even less used by businesses from new Member States. While large EU-wide business associations have invited business representatives to join their work (e.g. BUSINESSEUROPE, COPA-COGECA, EUROFER), they are still largely absent in Brussels.38 One trade official expressed disappointment that the government had encouraged without any success some parts of the services sector to join the European Services Forum (ESF), a lobby group to represent the interests of European services groups.39

A key PAR, based on a contractual relationship, exists between the Commission and the Member States within the comitology system. An increase in principal size affects the overall balance of positions and potential divergence of interests among Member States.40 “There are many more views on how to make trade policy work,” as one lobbyist put it.41 At the same time, representatives of big trading nations are finding it increasingly difficult to lead and need to rely more often on ad hoc

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37 Interview, trade official NMS, 133-Deputy, 23 June 2008.
38 Interview, business lobbyist, national federation, 2 July 2008.
39 Interview, trade official NMS, 133-Deputy, 24 June 2008, No service provider from the NHS-12 has yet joined the ESF, http://www.esf.be
40 I assume that an increase of principals potentially increases interest divergence.
41 Interview, business lobbyist, chemical industry, 13 October 2006
coalitions. Interestingly, interviewees reported that the process of enlargement has led to an increase in informal processes. This applies not only to trade policy, but there is also some evidence that principals have moved decision-making increasingly outside the formal settings. An ambassador from a medium-sized member country laments that “too often, we are getting squeezed out of the debate. Issues tend to be decided by the big ones outside the Council chamber” (quoted in Peel 2008:11). In the area of trade policy, this increase in informal processes has empowered larger trading nations vis-à-vis smaller and less experienced comitology members. One long-serving trade official observed that “133 discussions have become more cumbersome, before it was more of a dialogue, now it’s rare to have a genuine exchange of views, some only read out their statements that have been cleared at the capital.”

Lack of debate within formal bodies leads to an increase of informal processes. “Most of the agenda points are pre-cooked, and you need to make sure that proposals that are discussed can be influenced prior to tabling, (...) once they are on the agenda, then it’s too late (...).”

However, the evidence suggests that the move towards more informal processes (concurrently with an increase of interest divergence among Member States) has not weakened the Commission. The Commission is strong when the Member States are divided. Given sharp divisions on issues, the Commission makes various attempts to push things through the process. “It will tell the Member States that the EU can not afford to have no position in the current DDA, so they put something on

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42 New Member States have decided “to reallocate resources away from trade policy, given that it is the Commission which has the responsibility to negotiate on their behalf” (Baldwin, 2006:930).
43 Interview, trade official, 133-Deputy, 25 June 2008.
44 ibid
45 Interview, trade official NMS, chair and 133 deputy, 25 June 2008
the table in Geneva.”46 In addition, the Commission attempts to use permeability strategies, engages in gap-filling (when principals cannot agree), and exploits agenda-setting powers. Agenda-setting becomes even more important when informal processes surge. The Commission will put forward a proposal and will engage informally with key members in order to gather support. This use of permeability puts the Commission in a comfortable position. In addition, controlling the agenda is done through timing. Agenda points for Art. 133 Committee meetings are usually sent out only a few days before the meetings.47 The Presidency (Chair of the Art. 133 Committee) often receives the agenda points just prior to the deadline for sending them to the rest of the Committee members.48

The move towards informal processes strengthens trading powers within the EU. All Member States’ representatives will attempt to influence the tabling of trade issues and colour Commission proposals at an early stage of the policy process. Larger Member States, however, are generally better equipped in terms of information gathering and existence of resources. They are well organized in their interaction with national constituencies, can lead ad hoc coalitions with like-minded members, and are more often granted access to the Commission and its services. A long-serving trade diplomat puts it as follows: “Bigger states have more opportunities to make beside-the-table deals. Smaller nations need to engage more in coalitions (…) and they need to bring more often high officials from the capital to attempt to influence the Commission’s position.” 49

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46 Interview, business lobbyist, national federation, 2 July 2008
47 ibid
48 The chair can remove or add issues. Chairs from small Member States do not have large resources which puts them at a disadvantage; interview, trade official NMS, chair and 133 deputy, 25 June 2008.
49 Interview, trade official, 133-Deputy, 25 June 2008.
Conclusion

The study on the effects of growth on the principal side (or agency side) on various PARs is only just beginning. This paper builds on work that takes agency seriously and investigates the mechanisms through which the agent can pursue its own interests. This paper offers a conceptual framework to investigate effects on both sides of the PA equation due to membership growth.

The paper has discussed the effects of a growing number of principals on EU trade policy. Two arguments have been put forward. First, neither the agent in Brussels (Commission) nor the Member States’ representatives have been faced with an increase in lobbying activities by business groups from new Member States. As a result, it is argued that the country representatives from new Member States enjoy substantial discretion as to the definition of external trade policy priorities. Evidence based on interviews suggests that lobby activities do not seem to fit a pluralist model of interest representation. Second, the dynamics within the comitology system have changed. There has been an increase of informal processes which does not per se lead to a weakening of the Commission, but impacts on the influence various Member States can have. Some evidence put forward in this paper suggests that more powerful (and comitology-experienced) Member States might benefit from the turn to informal processes, while less powerful ones will need to invest more resources to influence the course of the EU’s trade policy.

References


### Table 1: Economic Size and Structure (EU-27)

<table>
<thead>
<tr>
<th>Member State</th>
<th>Overall GDP (2007)</th>
<th>% of overall EU GDP</th>
<th>% Agriculture</th>
<th>% Industry</th>
<th>% Services</th>
<th>Share of agricultural employment (2004)</th>
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<td>3</td>
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<td>25</td>
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<td>2.7</td>
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<td>5.5</td>
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<tr>
<td>Sweden</td>
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<td>2.70</td>
<td>1.4</td>
<td>28.9</td>
<td>69.8</td>
<td>2.5</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>2 018 828</td>
<td>16.42</td>
<td>0.9</td>
<td>23.4</td>
<td>75.7</td>
<td>1.3</td>
</tr>
</tbody>
</table>

**Average**  
Total EU-15  | 11 434 | 93.01 | 256.5 | 2.77 | 27.24 | 69.97 | 4.83 |

**Bulgaria** | 28 899 | 0.23 | 6.3 | 32.3 | 61.4 | - |
**Cyprus** | 15 636 | 0.12 | 2.7 | 19.2 | 78 | 5.1 |
**Czech Republic** | 127 498 | 1.03 | 4.1 | 37.6 | 58.3 | 4.4 |
**Estonia** | 15 547 | 0.12 | 3 | 28.5 | 68.5 | 5.5 |
**Hungary** | 101 077 | 0.82 | 2.8 | 31.5 | 65.7 | 5.3 |
**Latvia** | 19 936 | 0.16 | 3.3 | 22 | 74.7 | 14.6 |
**Lithuania** | 28 018 | 0.22 | 5.3 | 33.3 | 61.4 | 16.3 |
**Malta** | 5 399 | 0.04 | 2.7 | 22.3 | 74.9 | 2.3 |
**Poland** | 307 346 | 2.50 | 16.1 | 29 | 54.9 | 17.6 |
**Romania** | 121 431 | 0.98 | 7.9 | 35.6 | 56.5 | - |
**Slovak Republic** | 54 827 | 0.44 | 2.6 | 33.5 | 63.9 | 5.1 |
**Slovenia** | 33 542 | 0.27 | 2 | 34.4 | 63.5 | 9.7 |

**Average**  
Total recently acceded countries | 859 154.6 | 6.99 | 4.9 | 29.93 | 65.14 | 8.59 |

**Source:** Eurostat, CIA World Factbook, WTO Trade Policy Review 2007, own calculations
## Table 2: Intra EU Exports (EU-25)

<table>
<thead>
<tr>
<th>Ranking</th>
<th>Member State</th>
<th>Percentage</th>
</tr>
</thead>
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<tr>
<td>1</td>
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<td>2</td>
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</tr>
<tr>
<td>3</td>
<td>Czech Republic</td>
<td>84.6</td>
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<td>78.8</td>
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<td>8</td>
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<td>9</td>
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<td>75</td>
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<td>10</td>
<td>Estonia</td>
<td>73.4</td>
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<tr>
<td>11</td>
<td>Spain</td>
<td>72</td>
</tr>
<tr>
<td>12</td>
<td>Denmark</td>
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<tr>
<td>13</td>
<td>Austria</td>
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<td>Cyprus</td>
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<td>15</td>
<td>Slovenia</td>
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<tr>
<td>16</td>
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<td>64.9</td>
</tr>
<tr>
<td>17</td>
<td>France</td>
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<td>20</td>
<td>UK</td>
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<td>21</td>
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<td>Finland</td>
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<td>24</td>
<td>Greece</td>
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<tr>
<td>25</td>
<td>Malta</td>
<td>50.7</td>
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<tr>
<td>Average</td>
<td>EU-25</td>
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<tr>
<td>Average</td>
<td>NMS-8</td>
<td>75.48</td>
</tr>
<tr>
<td>Average</td>
<td>Big-4 (DE, FR, UK and IT)</td>
<td>61.5</td>
</tr>
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</table>

Sources: Eurostat, intra-EU exports as a share of total exports in trade in goods (average of 2004-2006), own calculations
Table 3: Shares in Intra-EU and Extra-EU Exports (NMS-8)

<table>
<thead>
<tr>
<th>Member State</th>
<th>Czech Republic (CZ)</th>
<th>Estonia (EE)</th>
<th>Latvia (LV)</th>
<th>Lithuania (LT)</th>
<th>Hungary (HU)</th>
<th>Poland (PL)</th>
<th>Slovenia (SI)</th>
<th>Slovak Republic (SK)</th>
<th>Total NMS-8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares in EU intra exports (total)</td>
<td>2.61</td>
<td>0.21</td>
<td>0.15</td>
<td>0.29</td>
<td>1.83</td>
<td>2.81</td>
<td>0.51</td>
<td>1.17</td>
<td>9.57</td>
</tr>
<tr>
<td>Shares in EU extra exports (total)</td>
<td>1.01</td>
<td>0.22</td>
<td>0.11</td>
<td>0.35</td>
<td>1.29</td>
<td>1.67</td>
<td>0.52</td>
<td>0.42</td>
<td>5.61</td>
</tr>
<tr>
<td>Share in EU total exports</td>
<td>2.09</td>
<td>0.21</td>
<td>0.14</td>
<td>0.31</td>
<td>1.65</td>
<td>2.44</td>
<td>0.51</td>
<td>0.92</td>
<td>8.27</td>
</tr>
<tr>
<td>EU intra exports of agricultural products</td>
<td>1.14</td>
<td>0.16</td>
<td>0.19</td>
<td>0.48</td>
<td>1.08</td>
<td>3.13</td>
<td>0.22</td>
<td>0.59</td>
<td>6.99</td>
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<tr>
<td>EU extra exports of agricultural products</td>
<td>0.58</td>
<td>0.31</td>
<td>0.35</td>
<td>0.92</td>
<td>1.72</td>
<td>3.18</td>
<td>0.42</td>
<td>0.25</td>
<td>7.73</td>
</tr>
<tr>
<td>EU total exports of agricultural products</td>
<td>1.01</td>
<td>0.20</td>
<td>0.23</td>
<td>0.58</td>
<td>1.23</td>
<td>3.14</td>
<td>0.27</td>
<td>0.51</td>
<td>7.16</td>
</tr>
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</table>

Source: Eurostat, trade in goods (2006), % of EU-25 exports
Table 4: Key Trading Partners in Trade in Goods (NMS-8)

<table>
<thead>
<tr>
<th>Member State</th>
<th>Czech Republic (CZ) %</th>
<th>Estonia (EE) %</th>
<th>Latvia (LV) %</th>
<th>Lithuania (LT) %</th>
<th>Hungary (HU) %</th>
<th>Poland (PL) %</th>
<th>Slovenia (SI) %</th>
<th>Slovak Republic (SK) %</th>
<th>Average %</th>
</tr>
</thead>
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<tr>
<td>Norway</td>
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<td>10.67</td>
<td>6.67</td>
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<td>0.44</td>
<td>1.50</td>
<td>5.63</td>
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<td>Switzerland</td>
<td>8.68</td>
<td>1.43</td>
<td>7.21</td>
<td>6.14</td>
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<td>3.89</td>
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<tr>
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<td>11.79</td>
<td>27.78</td>
<td>45.64</td>
<td>39.99</td>
<td>8.79</td>
<td>22.54</td>
<td>9.13</td>
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<tr>
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<td>16.18</td>
<td>18.62</td>
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<td>11.21</td>
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<td>0.36</td>
<td>0.31</td>
<td>0.74</td>
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<td>3.75</td>
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<td>2.59</td>
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<td>3 887</td>
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</table>

*DAE: Dynamic Asian Economies

Source: Eurostat, trade in goods (average 2004-2006), own calculations