

Delegation and Agency in EU Trade Policy-Making: Bringing Brussels Back in

Manfred Elsig

*World Trade Institute, Berne
Graduate Institute of International Studies, Geneva
manfred.elsig@wti.org*

*Paper prepared for delivery at
EUSA Conference - Montreal, Canada
May 17-May 19, 2007*

Abstract

This paper addresses the political economy of foreign trade policy-making in the European Union (EU). In light of recent developments in global trade regulation towards more regional and bilateral trade arrangements, the paper asks what drives trade-policy-making in the EU? Using a Principal-Agent (PA) framework the paper looks at how institutional and societal factors shape EU trade policy-making and attempts to bring the Community institutions back in. The paper adds to a growing literature on PA that increasingly looks at the agency side of the PA equation. It is argued that the agent (the EU Commission) is neither a master's servant nor a run-away bureaucrat. The agent is most powerful when setting the agenda and resisting change to its overall strategy. The existence of collective and multiple principals and the multi-level system facilitate agency. Empirically, the paper discusses the use of venues for trade regulation and provides insights from the EU–Mercosur negotiations.

1. Introduction¹

The European Union through its Common Commercial Policy (CCP) has been a key player in global trade politics for quite some time. But it is only recently that the scholarly interest in studying EU trade politics has substantially increased.² In contrast to much of EU decision-making in external relations, the dominant mode in trade politics has been characterized by the so-called community-method from the inception of the CCP. The European Commission has been able to gradually increase its powers to negotiate on behalf of the member states in the multilateral, regional and bilateral trade arenas. Whereas the power transfer was often limited (Meunier and Nicolaïdis 1999, Woolcock 2000, Elsig 2002, Dür and DeBievre 2006), the stop-and-go character of intergovernmental politics and the occasional setbacks resulting from member states' *vox populi* had only limited effects on the workings of external trade (Elsig 2002). Today, EU trade policy has successfully established itself alongside classical foreign and development policies.

If we want to understand the full extent of the EU's soft power or its contribution as a (partial) civilian power (Duchêne 1972, Bull 1982, Manners 2002), we need look into the mechanisms and interest that drive EU trade policy-making. A prominent explanation for the EU promoting a "deep trade agenda" (Young and Peterson 2006) is based on the EU's own experience as "a system of market liberalization", which transforms the EU into a "conflicted power" making its foreign trade policy resemble more "replication" than "domination" (Meunier and Nicolaidis 2006:912). This paper attempts to contribute to the understanding of the factors influencing EU trade policy-making in a "conflicted power" reading. In particular, the paper looks at factors that explain the choice of forum for trade regulation. In an attempt to "bring EU institutions back in", I discuss the factors that are pivotal for the EU Commission to influence trade policy-making. Using a principal-agent (PA) framework, I argue that the study on EU trade policy-making to date has neglected the existence of multiple and collective principals (see Nielson and Tierney 2003), the role of agenda-setting and the multi-level environment as a source of agency

¹ Research is supported by "NCCR Trade" of the Swiss National Science Foundation (www.nccr-trade.org).

² However commercial policy is still lingering as a junior partner in the study of the EU's foreign relations. Most research on EU foreign relations, the EU's international role, its external identity, its neighbourhood policies (ENP), and the export of norms concentrates on issue areas located in the second pillar (the Common Foreign and Security Policy (CFSP))

autonomy. After assessing the agent's room for manoeuvre, the study hints at the role of individual agents to exploiting available autonomy.

The paper is structured as follows. First, a brief overview on the dominating explanations for trade policy-making in respect to choosing venues is presented. Second, the EU's (changing) approach towards choosing and prioritizing platforms to "negotiate trade" is sketched and some puzzling features highlighted.³ Third, informed by a PA framework, the role of principals and agency autonomy is assessed with special emphasis on a number of hitherto neglected institutional features. Finally, the paper draws on empirical evidence to shed light on arguments inspired by new developments in the PA literature.

2. Explaining the choice of regulatory venues

The numerous newly created regional trade agreements and the explanations for the surge of new regionalism (and bilateralism) (Mansfield and Milner 1999, Ravenhill 2005) have again revived the scholarly interest in explaining the choice of regulatory venue. Three categories of explanations stand out: first, domestic-pluralist explanations focusing on interest group competition; second, structural explanations in the tradition of rationalist international relations theories and third, state-centric approaches. These explanations put different emphasis on the factors that explain the overall strategies applied (i.e. the choice of negotiation platform and partners) and the scope and content of trade agreements. What follows is a short discussion of the dominating explanations.

Domestic explanations for trade policy-making rely on a pressure-group competition model in which diverse actors try to capture the state actors' attention (Schattschneider 1935, Frieden 1991, Chase 2003, Hiscox 2005, Dür and DeBievre 2005, Davis 2006).⁴ Interests are often derived using the Stolper-Samuelson theorem or a specific factor model (Grossman and Helpman 1995, Hiscox 2002). Once groups have overcome the challenges posed by collective action (Olson 1965), success depends on additional factors, the availability and application of financial and personal resources, the group's credibility and the willingness of state actors to be

³ There are many venues for "negotiating trade", including bilateral, plurilateral and multilateral. Unilateralism is an additional channel for shaping trade relations.

⁴ See Chicago-type regulation literature, i.e. the capture hypothesis (Stigler 1971). On pluralism in the US tradition, see Dahl 1961, Lindblom 1977.

captured (Peltzman 1976, McChesney 1987, 1991). In terms of choosing the regulatory venue, import-competing industries will generally opt for the trade regime in which opening new markets has only marginal effects on their domestic market position and in which they have the greatest veto power during the negotiations. Thus, bilateral asymmetrical bargains are often preferred to multilateral negotiations. Competitive and outward-looking industries welcome attempts to open new markets but generally prefer multilateralism (or open regionalism) to the dominant types of regionalism or bilateralism (see Aggarval and Fogarty 2004).⁵ While domestic explanations yield substantial predictive power to account for the content of trade agreements, this body of research has thus far largely failed to develop models to explain “which segments of society are most likely to support regional trade initiatives as opposed to unilateral or multilateral ones, whose interests these initiatives serve and, and whether commercial regionalism heightens or undermines the support of various groups for multilateral liberalization” (Mansfield and Milner 1999:619).⁶

Structural explanations are drawn upon to explain trade policy-making as a reaction to the international order. These explanations – imported from the international relations literature – predominantly apply to strong trading nations, but are also frequently used to explain the specific trade regulation strategies of small and middle-sized states. Scholars disagree on the challenges and opportunities flowing from the international structure. Neo-realists stress the anarchic (or hierarchic) structure of international relations, US hegemony, the strategic role of trade and the need for balancing (Kindleberger 1973, Krasner 1976, Gilpin 1975).⁷ Countries are pictured as applying a forum-shopping approach as they pick the policy forum that best addresses their economic and political needs. In neo-realist terms, the new security agenda and the management of strategic partnerships (or allies) are driving forces that explain bilateral and regional trading arrangements (Gowa 1994). In addition, a number of nations engage in “balancing of power”. Based on hegemonic theories, different hub-and-spoke patterns are detected, as illustrated by the expanding EU, the (suspended) plans for creating a FTAA in the Americas, attempts to create a

⁵ On the role of party politics, see Milner and Judkins 2004.

⁶ Krueger (1997) argues that increased regional PTAs will decrease the support of free traders for multilateralism, thereby strengthening vested interests pushing for protection. For a discussion on whether regionalism will hinder or promote liberalization, see also Oye (1992).

⁷ On the effects of hegemony-centred agreements from an economic view, see Bhagwati and Arvind (1996).

politically sustainable Mercosur, and Chinese and Japanese – and most recently, Russian and Venezuelan – efforts to spearhead regional hegemonic positions via trade and investment agreements. The rush to adopt the new policy paradigm to strengthen bilateral and regional ties also flows from the international structure and is driven by the necessity not to be left out (bandwagoning).⁸ Neo-liberal institutionalism has been primarily interested in institutional impacts. Scholars in this tradition demonstrate how the liberal trading model has become embedded in international institutions and discuss how the unfolding net of institutional regimes and increased judicialisation and legalization of trade politics contribute to keeping power differentials in check (i.e. Zangl 2005).⁹ In addressing the question what explains choosing venues, however, neo-realists seem to be in the pole position. Neo-institutionalism thus far hasn't tackled the puzzle of why nations prefer bilateral and regional free trade agreements to multilateral cooperation.

Finally, state-centric approaches look at the actors situated at the domestic–international intersection (Ikenberry et al. 1988, Putnam 1988, see also Aggarwal and Fogarty 2004:10-12). These approaches look at bureaucratic interests, self-interest of decision-makers and institutions that channel domestic and structurally derived interests and obligations.¹⁰ The institutional setting and the dominant bureaucratic actors are the primary levels of analysis. A number of bureaucratic interests, in interplay with societal pressures, influence the overall attitude towards regional and bilateral agreements, ranging from geo-economics, security concerns, development strategies and systemic issues. In addition to bureaucratic interest, studies on EU and US trade policy-making have also concentrated on the way institutions causally influence policy outcomes (Goldstein 1993, Destler 1995, Bailey, Goldstein and Weingast 1997, Hanson 1998, Meunier 2000, Elsig 2002). Besides interests and institutions, a number of state-centric approaches model how ideas influence trade policy-making. Group-think processes, worldviews and the beliefs of decision-makers strongly influence the path of action. Ideas focusing on the shape and scope of

⁸ Moreover, Mansfield and Reinhardt (2003) argue that this surge of regionalism can be partially explained as a negotiation tool for putting pressure on other nations to compromise during multilateral trade negotiations.

⁹ For a critical note, see Goldstein and Milner 2000. In addition, scholars hint to the WTO+ character of preferential trade agreements, leading to a positive domino-effect (Baldwin 1993) or a tool to lock-in domestic reforms (Eichengreen and Frankel 1995, Tornell and Esquivel 1997, Whalley 1998).

¹⁰ Mansfield and Milner argue in their literature review on regionalism that more attention has to be paid to how the interaction between societal and institutional factors “influences whether and when countries enter a regional arrangement” (1999:607).

optimal trade regimes significantly affect the policies carried out (Goldstein 1993).¹¹ As I will discuss below, ideational explanations yield substantial explanatory power in relation to the EU's inter-regionalism approach. Generally, trading partners differ in their approach towards preferential or multilateral trading arrangements (Aggarwal and Fogarty 2004, Gamble and Payne 1996). The Japanese approach to trade regulation in the post-Second World War era has, for historical and practical reasons, been predominantly multilateral and has only recently begun to change after signs of stagnation in multilateral negotiations emerged following the WTO Ministerial Conference in Seattle.¹² The US approach has often been described as neo-liberal in orientation, seeking stability and liberal democracy (Grugel 2004, Phillips 2003, see also Schott et al. 2004).

3. Venue hierarchies in the EU approach to negotiating trade

In the case of the EU, I argue, we need to look in more detail at how trade policy-making is played out in Brussels Comitology system. We need to bring Community institutions back into the picture. I advocate, as others have done, the use of the PA framework to analyse policy outcomes in EU (trade) politics (Pollack 1997, 1999, Elsig 2002, Kerremans 2004). PA at first sight seems agnostic as to where the explanatory power is situated; however, its application has privileged the role of member states (as principals), has downplayed the role of the agent and has neglected the nature of the Brussels machinery (for an exception, see Elsig 2002, van den Hoven 2002). What follows is a brief description of the trade venue strategy and emerging puzzles.

Starting around 1999 and until recently, the choice of trade policy forum by the EU has been characterized by a clear hierarchy called "multilateralism first". At time of writing, this hierarchy is undergoing substantial change. In 2005 and 2006 (with the arrival of a new Trade Commissioner) we have witnessed more attention being paid to spearhead bilateral deals, especially in Asia. The so-called "moratorium" has been breached. This change was formalized in a communication of the Commission in October 2006 (European Commission 2006) where it stated "we

¹¹ Ideational explanations play an increasing role in state-centric approaches, but they are also more frequently applied in domestic or structure-induced research programmes. However, I don't treat them as a category of their own.

¹² On Asian approach to regionalism, see Katzenstein 1997.

should not hesitate to complement multilateralism with the various policies and instruments at our disposal” (2006:10). A new generation of free trade agreements is advocated that centre on “market potential (...) and the level of protection against EU interests” (2006:16). In other words, WTO+ agreements with key emerging markets are being pushed, whereas other interests (e.g. geopolitics, development, sustainability) are receiving less attention.¹³

I argue in this paper that the EU position in its overall orientation towards “trade venues” has been largely shaped by the EU Commission.¹⁴ What is striking is the attention paid to inter-regionalism in relation to bilateralism and the long moratorium in place to focus the EU’s attention predominantly towards the Geneva-based GATT/WTO. Why was the EU Commission able to pursue its policy mix for so long? A simple pluralist model of interest-group competition or a neo-realist argument cannot predict the overall strategy for launching and managing trade negotiations. The pluralist model relies on a neo-classical trade theory reading.¹⁵ Import-competing industries are expected to lobby for the status quo. If trade agreements are undertaken, import-competing business actors prefer bilateral to inter-regional and inter-regional to multilateral agreements. In negotiating with selected partners the “adjustment costs” are limited, as competition can be better channelled than in a multilateral context. In addition, trade-off deals in bilateral settings are less likely than in the multilateral arena, thus giving import-competing industries more leverage not to be “paying for a deal”. In competition with import-competing industries are retailers. Retailers’ federation will lobby for eliminating import barriers. As regards export-oriented industries, predictions on their policy-mix preferences are more difficult to depict. Export industries are expected to generally support multilateral approaches, as many of them critically assess the spread of different regulatory regimes.¹⁶ Yet, depending on their strategic orientations (e.g. market targeting), their degree of competitiveness, and their experiences with the multilateral approach, they might favour any attempts to open up new markets bilaterally or

¹³ WTO+ refers to agreements that go beyond WTO obligations, especially in the areas of investment, competition, intellectual property rights, public procurement, and non-tariff barriers.

¹⁴ The leading Commission Directorate is DG Trade.

¹⁵ Predictions rely on a rudimentary interpretation of a simple H-O model (see Hiscox 2005).

¹⁶ Arguments against bilateralism are most likely to be heard from export industries that are globally competitive (those with global supply chains), as bilateral trade deals often increase the costs for business due to differing rules of origins or regulations (e.g. sanitary and phytosanitary (SPS) and technical barriers to trade (TBT) measures).

regionally. The overall balance of interests is difficult to assess, but considering the strength of the EU's import-competing industries, and the not-so clear preferences for export industries, we should expect a bias for opening markets via bilateral approaches. In addition, if we assume that industries engage more in policy-making when their market shares are threatened than when new markets could be tapped, this further tilts the balance in favour of import-competing industries. The position of the EU is even more puzzling when taking into account that there are key advantages in negotiating for bilateral trade deals in a neorealist reading. A strong international actor such as the EU can use power asymmetries more efficiently in dealing with smaller partners by using its market access potentials. In the multilateral and inter-regional setting there are more negotiation partners at the bargaining table and more veto players who could block agreements.

Two things need to be explained: first, why the Commission has so long adhered to its policy mix (and only now shows signs of change). And, second, if the Commission adopts its strategy, is it due to external pressure or a process of "internal learning"? In the paper, I show that the Commission has substantial autonomy to define the overall strategy in using venues. Moreover, I discuss what explains change and how this relates to "experience" on the ground ("adaptation") by the Commission and the "predisposition" by the incoming Commissioner on Trade.

4. Delegation and Agency: pushing the analytical leverage of PA further

The PA metaphor primarily focuses on the delegation from a number of principals to an agent to carry out certain tasks and on the control mechanisms at the disposal of the principals. Key factors to be analysed are the interests of the actors involved and the institutional setting to delegate and control (Kiewiet and McCubbins 1991, McCubbins and Schwartz 1987). Many studies on EU trade policy have worked with the assumptions that agents are representing principals' interests and in case of agency losses these can be reined in and corrected by principals using or threatening to use their control tools. Others have argued that delegating powers to the EU Commission to negotiate on behalf of the member states insulated the common commercial policy not only from national but also from business interests.¹⁷ This paper strives to offer a

¹⁷ For a discussion, see Dür 2006; see also Dür and De Bièvre 2005.

more nuanced story of agency autonomy. What have not been sufficiently studied are the lock-in implications of agenda-setting, the effects of diverging interests among collective and multiple principles, and emerging obstacles for business to lobby within the EU's multi-level setting. These are important elements in understanding agency autonomy; autonomy that goes beyond the necessary room to manoeuvre for the partnership to function properly.

If the agent tries to introduce his own preferences which deviate from the principals' objectives (*slippage*) or when he fails to perform the minimal duties allocated to him (*shirking*) he uses the autonomy attributed to him in different ways.¹⁸ But what if principals' objectives are diverse and duty allocation far from clear? Can we still talk of slippage and shirking? We need to know how autonomy is constructed (beyond slippage and shirking), and how the agent uses the degree of autonomy he or she was granted in light of existing sanctioning mechanisms. In other words, an agent's ideas of how trade relations should be shaped do matter, but only if the agent can push these ideas through. As the set-up of the PA relationship presupposes a hierarchical relationship between the principals and the agents; it is more difficult to make a case for agency power.¹⁹ Below, I discuss a number of conditions that define autonomy (the principal constellation and the institutional setting) before discussing agency activism, thus addressing both sides of the PA equation.

4.1 Principals' constellation

The literature on PA assumes that agency losses are a phenomenon that occurs naturally in delegation; however, principals possess instruments to control agents at different stages of policy-making (mandate, negotiation management, ratification, re-mandating). It is usually assumed that in the mandating phase there are two potential diverging effects on autonomy. The more diverse the interests, the more we should see conditions attached to the mandate transfer, thus limiting autonomy. However, as mandates usually need consensus among principals we also witness incomplete or

¹⁸ Definitions for agency autonomy, shirking and slippage, see Hawkins et al. 2006. Discretion is a particular form of autonomy in which the principal specifies certain objectives without defining the means to achieve them.

¹⁹ Thus, this paper follows a sort of less-likely case method.

flawed mandates.²⁰ This potentially leads to gaps that will eventually need to be filled by the agent (an invitation to the agent). During the management period (i.e. negotiations) the design of *at locum* control affects autonomy. Yet, the obstacles for principals to pro-actively engage with agency behaviour are manifold and increase with divergence of interest. Whereas principals might signal discontent and threaten to sanction the agent (i.e. non-prolongation of mandate, non-ratification), the credibility of threats is somewhat weakened when there is no real exit option for member states. Redesigning the mandate could also prove difficult, when the threshold for principals' corrective activities is high (Hawkins et al 2006: 32). While the risk-averse agents will only cautiously use autonomy offered to them, strong agents will gamble on their tools to influence acceptance through arguments, persuasion or side payments.

What has been neglected in the EU literature is the existence of a multitude of principals that make agency losses a natural by-product of delegation (see Hawkins et al. 2006). This gives agents various opportunities to exploit autonomy. Thus, we need to account for the interest constellation among principals. There are two layers of principals to focus on: collective and multiple. The dominating principals are the so-called "collective principals" who are *de jure* delegating to the agent and have key powers to control. In the EU institutional setting, the member states are representing the collective principals consisting of 25 individual principals (contractual situation). Member states are represented by the Art 133 Committee, COREPER and the General Affairs and External Relations Council (GAERC) to control the agent's policies (see Murphy 2000, Elsig 2002, Woolcock 2005). Eastern enlargement seems to exhibit two opposing effects. While the growing number of members in the 133 Committee has increased the number of veto players (and thus makes ratification of treaties more difficult), the participation of 25 representatives of the member states gives DG Trade more leverage as a larger number of principals hampers efforts to agree on a common position to pressure the Commission.²¹ As the 133 Committee is an advisory Committee, its function and role depend heavily on leadership among key participants. Yet, more parties mean even more divergent interests and viewpoints

²⁰ Most trade agreements cover areas where competence between member states and the Community is shared.

²¹ Interview with a DG Trade Official 23.6.2005/1; reduced speaking time for each member of the oversight bodies (i.e. Art. 133 Committees) seems further to suggest that the Commission has acquired more leverage and some of the old members have lost power in relative terms. This could eventually drive members to use more informal settings in which to negotiate (Baldwin 2006).

thus less leadership exhibited and growing difficulties in steering the process and influencing the Commission.²² In addition, the agent will need to factor in the preference strength of certain coalitions and the power to use means to change the agent's strategy. The agent thus needs to find accurate information as to the importance principals attach to certain policy objectives (which is usually signalled through the Comitology system). If preference strength is high, principals will engage in lobbying the agent. Here, the power to influence comes into play. Not all actors have the same possibilities to influence policy-making. Not only are voting shares important, but also the likelihood of gathering enough support through coalition-building to pressure the agent. Thus, if a small member state in the EU attempts to change the agent's order of preference he needs to be focusing strongly on sufficiently large coalitions.²³ Large members need fewer allies to put pressure on the agent, but still need to overcome certain institutional thresholds to which we turn below.

Second, the role of "multiple principals" (i.e. member states, European Parliament, key interest groups) needs to be factored in. Hitherto, studies have mainly hinted at the restricted autonomy resulting from the increasing number of veto player, yet what has been overlooked are the types of opportunities resulting from divergence among multiple actors (i.e. European Parliament vs. member states; business vs. member states) (see also Pollack 2006).²⁴ Thus, there is need to process-trace the competition among collective and multiple principals and the strategies applied by the agent to position itself vis-à-vis a number of principals in light of divergence/convergence among principals' interests.

4.2 Institutional setting

There are different reasons for a principal to delegate (see Pollack 1993). The key explanation in EU trade policy for principals to delegate to the agent in order to

²² One DG Trade official argued that the role of the Article 133 Committee is also decreasing because the brightest experts on trade policy don't work for national administrations as competence is on the EU level and thus try to work for the EU Commission, Interview 23.6.2005/1. Baldwin argues that there is a weakening of member states' expertise in trade policy as member states "decide to reallocate resources away from trade policy, given that it is the Commission which has the responsibility to negotiate on their behalf" (2006:930).

²³ Voting strength is important even when consensus is the decision-making rule. This is usually in areas where competence is shared between the European Community and member states (see Elsig 2002).

²⁴ The role of the European Parliament is still rather marginal (Young and Peterson 2006) but will eventually increase.

negotiate on behalf of the Union is functional. Delegation is necessary, as a customs union can only function properly with a unified (acting and speaking with one voice) approach. In addition, the “pooling of international representation has obviously magnified the power of the EU member states in the international trade system” (Meunier and Nicolaidis 2006:909). Thus, the “why” question is easily addressed. It’s more difficult to answer the “how” question (see Pollack 2006). How is delegation designed and what types of control mechanisms are installed? Here additional, second-order functional arguments come into play (e.g. the exact task to be delegated). If “endless cycling” needs to be addressed then we should see the delegation of agenda-setting power.²⁵ Based on this, the Commission has been in the driver’s seat to propose the overall strategy to engage in trade negotiations with other nations and regions. This strategic orientation does not need an explicit mandate from the member states, whereas a mandate is necessary to negotiate in the WTO (and other fora). During negotiations, the Commission is under the control of the member states’ key watchdog (Art. 133 Committee) which limits autonomy during negotiations as it is not easy for the agent to exploit information asymmetries.²⁶ This explains why the Commission can influence the overall direction of trade policy more through its agenda-setting (i.e. inaugurating new initiatives and strategies) than through negotiation powers.

In the EU trade policy literature the power of principals to correct the agent’s actions has all too often been overrated. Once the agent has received its mandate, sanctioning instruments are often insufficient to control for agency losses. The so-called “nuclear” options to sanction the agent (e.g. dismissal) are seldom effective. In addition, the key powers delegated to the Commission are not retracted (overall management of trade policy, including priority setting) as witnessed in successive intergovernmental conferences (Elsig 2002).²⁷ In order to pressure the Commission to

²⁵ Depending on the nature of the function (e.g. information asymmetries, tackling credible commitment, or incomplete contracting), different delegation design features are discernible. For a discussion on how concentration/diffusion of costs and benefits should influence delegation, see Pollack (2006:174-5).

²⁶ Inter-regional agreements give equal authority to member states and Community institutions to negotiate and they are therefore called “mixed agreements”. In practice the member states allow the Commission to speak on their behalf. On the effects of mixed competency or exclusive competency in trade negotiations, see Elsig 2002; on the strength of the Commission during the negotiation cycle process, see Nicolaidis 1999.

²⁷ Yet, we need to distinguish delegation as defined in the treaty provisions that cannot be easily changed from delegation in issue-specific areas (e.g. explicit mandate to negotiate); in the latter case

change its strategy, a qualified majority of member states is required (which is a large threshold). Thus, in the case of setting the overall trade policy agenda and the implementation of a common strategy, the EU Commission enjoys substantial discretion. Whereas there is evidence that different types of control mechanism (e.g. policing, fire-alarm) exert pressure on the agent, principals themselves face collective action problems. Thus, discretion is relatively large. This has been confirmed by a cross-sectional analysis done by Pollack to measure the European Commission's discretion in EU issue-areas, where competition policy and common commercial policy scored highest (2006:181ff). Thus, the first institutional element for understanding agency autonomy is "agenda-setting". This is important in trade politics as the choice of venue has a number of impacts on the principals' control mechanisms (e.g. access for various principals). In the case of the EU, states acting through Article 133 Committee (and the business community) have better information and greater access during multilateral negotiations than when making bilateral bargains. Hence, *at locum* control is more stringent in the multilateral arena than in bilateral negotiations.²⁸

Another key institutional element, important for understanding the Commission's autonomy, is the EU multi-level environment (or open decision-making system) which influences interest aggregation and the competition among stakeholders. The multi-level character of EU politics opens up new opportunities for interest groups to lobby. Yet, the growing number of levels is accompanied by an increase in the costs of lobbying (see Aspinwall and Greenwood 1998). There is increasing empirical evidence that most business associations have concentrated their activities on the national level (see Wilts 2001); however many sectoral associations (e.g. automobile, chemicals and federations (e.g. the Confederation of European Business (UNICE), Eurochambers)) have increased their lobbying activities in Brussels. In order to lobby efficiently, companies or associations need to be actively engaged with many actors at various levels, as the dynamics of the system require

we expect control mechanisms to matter more in relation to agency behaviour, see also Kerremans (2004:370).

²⁸ In addition, different venues have different mandates. The most general mandate is usually visible in the multilateral arena (giving the Commission room to manoeuvre and leading at times to non-testable claims that the Commission has overstepped its mandate). It is interesting to note that the Commission negotiated with the identical mandate in Seattle in 1999 and in Doha in 2001, although its position had clearly changed. Mandates are more concrete (e.g. on market access) in preferential and bilateral trade agreements. Generally, the more open a mandate the greater the leverage for the Commission to influence the balance of interests among principals.

different public policy strategies. The European business community usually attempts to make its voice heard through various channels at the national and European levels. Business works closely with national administrations and the Brussels decision-making apparatus. However, resource constraints drive European business associations to prioritize their activities. Depending on the industries' interest constellation, the European or the national levels are prioritized which in turn leads to different lobby strategies that Woll coins the "double logic of business lobbying" (Woll 2006b). In addition, the multi-level system limits the possibilities for the business community to lobby. One representative of UNICE acknowledged that UNICE's lobbying activities with the Art. 133 Committee represent a "weak point", as the Committee's deliberations were far from transparent and, due to national sensitivities, the European-wide federation couldn't lobby national representatives directly (this was done through national business associations).²⁹ Finally, important financial instruments, such as campaign financing, which are well established in the US, are not available in most EU states, making lobbying more diffuse (see Davis 2006, Woll 2006a:462). The same logic of lobbying also applies to civil society actors. As regards the influence of Brussels-based European NGOs, they receive punctual access through special consultation processes (Lamy strategy), but their influence is still limited (see also Dür and De Bièvre 2007).

4.3 Agency activism

The agency side of the PA equation has not received sufficient attention in the literature. Agents often have quite complicated incentive structures that need to be traced. Conceptually one can think of many different tasks that are delegated by a principal (the principals) to an agent.³⁰ The task influences the interpretation of the agent's own role (Hawkins and Jacoby 2006). Some agents interpret their role as the servant of the (collective) member states, others see themselves more as trustees (Majone 2001), and most agents define themselves somewhere in between. Whereas agents hold a certain idea of their role and the optimal policies to be implemented,

²⁹ Interview with UNICE, 16.5.2006/1

³⁰ These include managing policy externalities, facilitate collective decision-making, overcoming endless cycling, working as honest broker, resolving disputes, carrying out third-party conflict resolution, controlling cheating or helping lock-in reforms (Pollack 1997, Majone 2001, Thompson and Snidal 2005, Hawkins et al. 2006).

they also have an interest in satisfying a great number of principals, be it for the sake of their reputation or for job security reasons.³¹ Thus, their preferences are influenced by “strategic calculation”. Moreover, the interests of agents can be shaped through different channels and degrees of socialization related to international organizations that Checkel (2005) terms as “role playing”, “normative suasion” or “adaptation”.

Thus, the key question on agency behaviour needs to address preferences and in particular, when is the agent willing to push his preferences through, even against the will of a large number of principals?³² Some agents are pushier and want to see how far they can go, others at the outset already include potential reactions of principals and behave in a less risky manner. There are different ways that agents use the autonomy granted to them, some stick to the mandate (work-to-rule), others apply discretion actively at times encouraged by flawed mandates (gap-filling) or loose control (asymmetry-exploiting); and still others build buffer zones in case principals might react negatively in the near future (buffering) or strategically use access (building permeability). Thus, agency action can thus take different forms, including the use of targeted strategies to exploit resources, the attempt to pre-emptively limit principals’ pressures, the resistance not to react to changing principal interest or biased interpretation or re-interpretation of mandates.³³ An example of a confident agent attempting to limit the influence of member states is the decision by Sir Leon Brittan in 1994 to call upon the European Court of Justice to rule on the question of competency between member states and the Community to negotiate trade policy. The act of “taking member states to court” is an indication of a very strong agent not fearing backlash (for a discussion, see Elsig 2002). I argue in this paper, that staying the course on multilateralism first can be largely explained by the prerogatives of gap-filling, the existence of permeability and the leadership of the acting DG Trade. What follows are two short case-studies on the role of the Commission in choosing venues and in negotiating an inter-regional agreement. The second case-study aims to make a case for how adaptation has been helped by experience on the ground.³⁴

³¹ Methodologically, it is tricky to separate interests from ideas. On epistemological questions of how to disentangle interests from ideas, see Wendt 1999; on the origins of preferences, see Fearon and Wendt 2002; on explanations for preference change (learning or socialization), see Checkel and Moravcsik 2001.

³² Different socialization mechanisms influence the “strength” of preferences, thus leading to different reactions by agents once principals flex their muscles.

³³ On interpretation, reinterpretation, building permeability and buffering (Hawkins and Jacoby 2006)

³⁴ The latter is chosen as the inter-regional negotiations with Mercosur represent an important test-case for EU inter-regionalism.

5. Which venues next?

5.1. Tracing agency conceptions

The EU (and especially the EU Commission) has exhibited increasing interest in multilateral negotiations since the late 1980s. Notwithstanding failures and setbacks in attempts to improve trade cooperation multilaterally after the conclusion of the Uruguay Round, the EU has stuck to this “multilateralism first” approach. Under the guidance of Trade Commissioner Pascal Lamy, a de facto “moratorium” on initiating new bilateral trade deals was strongly advocated around 1999. The EU’s involvement in purely bilateral approaches has been rare with the exception of bilateral investment treaties and a number of sectoral or issue-specific agreements (i.e. mutual recognition agreements) to lower trade barriers with countries where the economic rationale was strong (Canada, US, Switzerland) (for an overview see Woolcock 2005).³⁵ The global agreement with Mexico, negotiated as a reaction to NAFTA, the association agreement with Chile and the trade, development and co-operation agreement (TDCA) with South Africa were initiated before 1999. The EU’s approach towards inter-regionalism was also affected by a “moratorium” in 1999, but had become more flexible or “light” following important advances that began in the mid 1990s. Inter-regional agreements have been regarded as an economic second-best option to multilateralism.³⁶ In addition, the EU actively encourages other trading nations to engage in further economic and political integration and to negotiate as a trading bloc. Until recently, Commission officials argued strongly along the lines of empowering regions by a parallel process of enlarging their regional markets, allowing some infant industry protection to foster development, and by gradually locking reforms in by liberalizing markets vis-à-vis the EU. This approach is coupled with the idea of exporting the EU’s own model of regionalism.³⁷ This type of export of “market organisation logics” is another illustration of Ian Manners’ concept of a normative power Europe (2002, see also Grugel 2004). The change from bilateral to inter-

³⁵ Trade agreements with the EFTA countries up to the 1990s didn’t include the inter-regional logic. Subsequently, the EU negotiated a closer trade co-operation with the former EFTA countries through the creation of the European Economic Area (EEA) in the 1990s. However, Switzerland did not join the EEA and thus bilateral agreements are a functional answer to governing economic relations.

³⁶ In sectors where EU exports of goods, services or capital are competitive, the EU opts for a WTO+ approach. In import-sensitive sectors, product lines are excluded or granted long transition periods for import-competing producers to adjust to new competition (agricultural produce).

³⁷ As witnessed in the conclusions of the Essen Council (European Council 1994); see also European Commission 1995.

regional negotiations can be also traced in the EU's relations with its Mediterranean partners as envisaged in the Barcelona Declaration of 1995. In addition, the EU's relations with the African, Caribbean and Pacific (ACP) have undergone a paradigmatic change. Based on the Cotonou Agreement of 2000, the EU negotiates so-called Economic Partnership Agreements (EPAs), which are conditional upon a certain degree of regional trade integration among a set of ACP states. Recently, the EU decided to open trade negotiations with the Central American Countries as a group (see Vienna summit). Yet, with the incoming Barroso Commission and the new Trade Commissioner Mandelson, geopolitical issues and "ideational" exports are largely missing from public speeches; new trade negotiations are much more oriented towards increasing market access in the key markets and thus improving the overall competitiveness of the EU through trading (see European Commission 2006).

5.2 Principals' limited voice

What has been the influence of principals in changing the "choosing venue strategy" over time? Below, I discuss the interests of collective and multiple principals and sketch their views on the overall policy-mix. First, we need to situate the principals. It is not always obvious in EU trade policy who is influential and who holds key powers. One observation is that the sheer number of principals makes it difficult to locate power or as a USTR-official based in Brussels lamented: "There are many actors in the EU system, making it difficult for outsiders to understand whom the Commission is accountable to".³⁸ The collective principals (the member states) have long been remarkably silent on the Commission approach. The Art. 133 Committee, on which trade diplomats from the capitals of the member states sit, was reluctant to discuss the Commission's overall strategy in relation to multilateralism and inter-regionalism.³⁹ Its members directed their attention more towards content than venues. The interest constellation in relation to the overall policy-mix is broadly supportive for the agent, as a number of members support multilateralism for systemic reasons.⁴⁰

³⁸ Interview with a US trade official, 23.6.2005/2.

³⁹ Interviews 22.6.2005/1 and 22.6.2005/3 (133 representative). It's noteworthy that trade policy issues are normally discussed in the General Affairs and External Relations Council (GAERC), dominated by foreign ministries. These usually represent "wider interests" that go beyond trade.

⁴⁰ Interview with a DG trade official, 11.10.2006. Further, the case-study by van den Hoven (2004) shows that member states were split over the new round; yet due to the institutional setting couldn't change the path of action.

Those collective principals dissatisfied with the Commission approach are not overcoming the obstacles to actively re-shaping the Commission's overall agenda. Yet, the number of critical voices has increased. An important factor is Eastern enlargement. Some important new member states have started to question the policy-mix of the Commission, as they seem to be less open to imports from developing countries and less supportive of "exporting the European model". One senior 133 official from a new member state argued in relation to Mercosur, "regionalism needs to be done by them, not us" and "the EU should target countries on economic terms. We think that the US approach is more pragmatic". The above statements illustrate a growing reluctance to continue to follow the Commission approach, but also limited influence for change.⁴¹

Opposition to the Commission-led strategies has built up some time ago in the European Parliament (a representative of a multiple principal) as witnessed in the 2003 report by MP Erika Mann. In a report by the Committee on Industry, External Trade, Research and Energy, the Commission's approach was called into question. The report pushes for the launching of new initiatives in Asia, sees a positive catalyst effect of the spread of free trade agreements (FTAs) and warns against hegemonic or multi-polar behaviour. Free trade agreements are depicted as "'path-finders' that serve as benchmarks for trade liberalization in the region" alluding to the Japan-Singapore FTA (EP 2003:17). While the report rhetorically endorses the multilateralism-first approach, it pushes simultaneously for bilateral and regional FTAs, blurring any hierarchy between the different approaches. The following statement illustrates this attempt to weaken the case for multilateralism: "The EU's present over-riding priority is to ensure that DDA (*Doha Development Agenda*) negotiations end successfully and on time (...). Still, the current strategy fails to reflect sufficiently other pertinent aspects. It disregards the intrinsic connection between strategic and economic interests that can be strengthened through FTAs, the reality of transatlantic inter-related markets and the decidedly unrealized potential for trade and strategic presence in the Asia-Pacific region" (EP 2003:18). As the European Parliament has so far lacked the power to influence agenda-setting, the Commission has largely ignored the Parliament.

⁴¹ Interview with a 133 Representative, 17.5.2006/1.

The role of business is more difficult to grasp. Not only is the influence of the business community mitigated due to the multi-level system, they also seem to represent too many diverging viewpoints and interests. In addition, export-oriented industries have often lacked influence in opening up markets. There is ample evidence of instances where the Commission has had to call upon business groups and encourage them to openly support DG Trade. During and after the Uruguay Round, strong support came only from the financial services industry for a specific sectoral agreement. The pro-trade business support from TRIPS and GATS has been rather modest in Europe. With the exception of UNICE, support from business associations was largely absent (Van den Hoven 2002:10, 20) Van Hoven (2002) further shows that the Commission tried to mobilize business groups to support its approach to public procurement and services in the run-up to the Doha Ministerial.⁴² Another illustration of active encouragement is former Trade Commissioner Sir Leon Brittan's call for the creation of a transatlantic business dialogue (TABD) between US and European firms to lobby for increased regulatory cooperation.

While some business groups had been growing impatient about the slow process in the multilateral arena, their enthusiasm for using the inter-regional or bilateral channel did not grow accordingly. Pressure to change the overall strategy has been limited. Business groups (e.g. UNICE and sector export-oriented business associations) have lobbied the Commission to increase the overall business-approach and to tone down geo-politics for quite some time.⁴³ They have also occasionally engaged in criticising the overall priorities in EU trade policy-making, e.g. UNICE questioned the "post-industrialist" approach taken by the Commission by asymmetrically lowering duties and one-sided focus on services industries.⁴⁴ Yet, the overall venue strategy has not been significantly criticized. For its part, the import-competing industry has been more interested in shaping defensive instruments (i.e. trade barrier regulation, dumping and subsidies cases). Bilateralism is not seen as a panacea, although from a rational perspective one would expect more pressure for bilateral solutions. The key explanations listed in interviews concern the institutional setting and transparency. "Access" for collective principals (Art.133 Committee) and

⁴² Furthermore, national federations in some of the new member states still need time before they can act as powerful lobbies (start-up costs), Interview, 16.5.2006/1.

⁴³ Interview 12.10.2006; Interview 13.10.2006.

⁴⁴ Interview 16.5.2006/1; namely in chemicals, pharmaceuticals, automobile, textile/clothing and machinery/electronics.

multiple principals (e.g. business) to lobby the agent in bilateral preferential trade agreements is limited relative to the multilateral arena. In addition, transparency is an issue of concern for business groups: in the WTO, negotiation proposals are quickly made public, whereas in the bilateral setting the negotiator has much more discretion.⁴⁵ In addition, technical knowledge in engaging in trade policy coordination has been greatest within the multilateral trade arena. Hence, business communities' pressure to overhaul the Commission's strategy has been limited as supported by a number of interviewees.⁴⁶

Similarly, representatives of civil society have been much more engaged in deliberations in the multilateral arena than on a regional or bilateral platform. They also have invested in gaining expertise on the WTO system. A switch to regionalism or bilateralism is not in their interests, although in terms of inter-regionalism they largely support the EU's attempts to strengthen civil society in the trading partners' polities. There seems to be sufficient support to the overall Commission approach to multilateralism and inter-regionalism.⁴⁷ The slight criticism coming from one specific multiple principal (EP) has been offset by the support of civil society groups and the limited voice of producers about their interest in the overall strategy.

While principals had started to voice some concern about the direction post-Seattle and the overall hierarchy of trade deals, the agent was able (by not tabling new initiatives) to de facto stick to the old approach. But this has now visibly changed as witnessed in the Commission announcement of a greater focus on the economic rationales for engaging in free trade agreements (European Commission 2006).⁴⁸

5.3 The Commission in the multi-level system adapting its policy-mix

As described above, there wasn't sufficient pressure from the principals to change course supported by the institutional setting that allowed for autonomy to emerge. Yet, autonomy only matters if the agent creatively uses this "policy space". There is

⁴⁵ Interview with UNICE, 12.10.2006; Interview, 13.10.2006

⁴⁶ Interviews with DG Trade official 22.6.2005/1 interview with a member of Mandelson's Cabinet, 22.6.2005/3 and interview with an official from DG RELEX (31.8.2005)

⁴⁷ They supported the Commission even though it can be argued that it was not in their interests; to what degree the Commission persuaded these actors to support its strategy is a puzzle that this paper does not address.

⁴⁸ Thus, some business overlaps with the Commission position need not to be explained by luck nor influence (see Barry 1980).

some evidence of how the Commission strategically uses its position. A case-study by Van den Hoven (2004) traces the way the Commission uses leadership in WTO negotiations. He tackles the puzzle of why member states have been rather silent. He reviews the discourse by the Trade Commissioner which altered “the balance of power between member states in the Council of Ministers and (...) how member states perceive their national interests in trade policy” (2004:257). Van den Hoven demonstrates that the Commission actively encouraged a number of developing countries to support its approach and attempted to persuade member states and business of the necessity of a new round. While working in the run-up to Doha with the same mandate as in Seattle, the Commission made more concessions (this is hardly likely to be due to change of interests of member states or business). Similarly, Billiet (2006) shows how the Commission can use the external institutional context (WTO) to reinforce its powers.

In the case trade venues two particular strategies are visible: gap-filling and using permeability in a strategic way. In terms of gap-filling, agenda setting is an important tool for using autonomy. The choice of venue has a number of consequences for the principals’ control mechanisms as described above. In addition, the clarity of the mandate varies. The most general mandate is usually visible in the multilateral arena (giving the Commission room to manoeuvre and leading at times to non-testable claims that the Commission has overstepped its mandate). In terms of permeability, the so-called open decision-making character helps the Commission to strategically defend autonomy. It is well placed to interact with the various parties involved in interest competition. The EU’s open decision-making setting is a unique institutional feature. The EU Commission has deliberately increased the number of access points for stakeholders in the trade policy-making arena. Former Trade Commissioner Lamy has institutionalized frequent exchanges between DG Trade officials and civil society groups (see also Hocking 2004). The internal coordination and information exchange with civil society, business associations, parliamentary Committees and member states, has reached an unprecedented level. This effort to increase transparency and create room for a greater number of interests potentially provides the EU Commission with increased leverage to mobilize those interests most

likely to support its policies (coalition building).⁴⁹ Increased information asymmetries also allow the Commission to give in to the most powerful and vocal interest groups where necessary, while at the same time preserving autonomy to construct packages that receive the backing of a qualified majority of member states.⁵⁰

During interviews with officials from DG Trade, it was remarkable how often the influence of a single person on establishing the guiding principles of EU trade policy-making was mentioned. Interview partners noted repeatedly that in instances when the direction of trade regulation is questioned, the ideas of the trade Commissioner matter. Former DG Trade Commissioner Pascal Lamy opted strongly to sustain the attention of his bureaucracy towards the WTO and the unfolding Doha Development Programme. He strongly resisted jumping on the bandwagon of bilateral agreements and did not push additional inter-regional agreements that were not already under negotiation before he took up his post. Relations with the ACP countries changed dramatically as reflected by the rise of Economic Partnership agreements (EPAs) with regional groupings.⁵¹ A certain type of group-think developed on the matter. The multilateralists inside the Commission were strengthened and the bilateralists weakened. In terms of the rationale for helping regionalism in the Americas, personal convictions of the leaders matter. Going through material from the speeches of Commissioner Lamy and some of his trade officials one finds hints to of an ideological bias towards a strong industrial policy orientation (i.e. infant industry) coupled with rhetoric of a multipolar world. This was in sharp contrast to speeches of his predecessor Leon Brittan who advocated strongly for a transatlantic free trade agreement and a more liberal stance on market liberalization. As sketched above, with the arrival of Peter Mandelson, more attention has been paid to a rising Asia, resulting in a clarification of the need for new preferential agreements, gradually undermining Lamy's moratorium.⁵² In a speech at

⁴⁹ Examples are the pushing of rules for the relationship between WTO rules and multilateral environmental agreements to gain support from the environment community (this had already started in Seattle) or the softening of the TRIPS agreement, despite strong resistance from EU pharmaceutical industry, to appease the aid community (Elsig 2002, Van Hoven 2002).

⁵⁰ Another official conceded that information asymmetry is lowest in relation to the big three: the UK, France and Germany, "who have additional channels on the ground to constantly "check" Commission's actions and observable facts" Interview with a DG trade official, 16.5.2006/2.

⁵¹ In addition, this phenomenon reflects obligations emanating from the WTO and the ideas of creating regional trading entities (see Farrell 2004).

⁵² There is growing pressure for the EU to be more present in Asia. A vision group was created to study the potential to improve trade relations, Interview 22.6.2005/3. Commissioner Mandelson is receptive to closer relations with Asia, Interview 23.6.2005/1.

the London School of Economics on 9 October 2006, Peter Mandelson defended forcefully the stepping-stone character of bilateral FTAs and announced the new bilateral orientation towards a number of key markets of interest to EU business as part of a new strategy (Mandelson 2006, European Commission 2006). This speech clearly marked a departure from Lamy's strategic approach to bilateralism.

6. Reality bites from Mercosur

In order to understand the change in the overall strategy, the Commission's experience on the ground needs to be factored in. The "pet projects" of the Commission have yielded little results since the mid 1990s. Besides stalemate in recent global trade talks, limited progress in inter-regional approaches (e.g. Mercosur negotiations) have led to above described policy shift to adapt to new realities (a so-called adaptation process).⁵³ This was helped by a new Commission more intent on pushing pragmatic solutions for opening markets. The example of the EU–Mercosur negotiations is drawn upon, as these negotiations are often portrayed as a test case for the EU's overall strategy on economic cooperation with other regional entities in the South.

Since the early 1990s, the EU Commission has driven the process towards accelerating negotiations with Mercosur.⁵⁴ Trade relations between the EU and the Southern Cone have been strengthened since the creation of the Mercado Común del Sur (Mercosur) encompassing Brazil, Argentina, Paraguay and Uruguay in 1991. The relations between the EU and Mercosur were initially shaped through an Interregional Framework Cooperation Agreement (EMIFCA). In 1999, member states gave their official authorization to start negotiations for a more comprehensive bi-regional Association Agreement, which are still continuing.⁵⁵ On the interest constellation, the Commission has been more eager than the Council to push for trade liberalization (Faust 2002). Member states have been generally supportive of the Commission's approach towards Mercosur, but have exhibited varying degrees of satisfaction with

⁵³ On the difference between learning and adaptation, see Hurrell and Narlikar (2006). In this paper adaptation is not accompanied with a shift of underlying values, but influences the agent's overall balancing of policy objectives.

⁵⁴ A large number of Commissioners agreed on a common approach towards Mercosur negotiations; however, four Commissioners voted against, asking the Council for a negotiation mandate (Faust 2002).

⁵⁵ On the initial years of the negotiations, see Faust (2002:6-7).

the overall direction and the content of the agreements. Whereas some countries have been very active in engaging with Mercosur as part of a larger geopolitical approach, others have concentrated more on the economic benefits. There has been a growing divergence of interests on substantial issues (geopolitics) and content (trade gains).

In view of the variety of interests in the Council, it is not surprising that the Council initially slowed the negotiation process by attaching conditions on tariff negotiations. The negotiations were postponed to after 2001.⁵⁶ The scope of a likely future agreement can be largely explained by a pluralist narrative (see also Faust 2002:4). From an EU perspective the agro-industrial sector is hampering progress in the negotiations for fear of competition.⁵⁷ The European Farmers Federation's (COPA) lobbying partly explains the long process from 1995 to receiving a mandate from the Council in 1999 (Faust 2002:14). The export industries for their part (competitive industrial and services sectors) generally support the Commission's preference for the opening of markets, yet slow progress in the negotiations has hampered their enthusiasm. The impact of the so-called Mercosur Europe Business Forum (MEBF) has been stronger in terms of launching the negotiations than actually shaping them (Faust 2002: 15).

6.1 Agency conception: a discursive angle

The Commission's interest in Mercosur cannot be explained satisfactorily by drawing on economic arguments. The dominating ideas held by key agent(s) inside the EU Commission (under DG Trade Commissioner Lamy) contribute to our understanding. In the Commission's Regional Strategy Paper (2002) three objectives for assisting Mercosur are formulated: The completion of the internal market, stronger institutionalization and the integration of Mercosur into the regional/international context. Three discursive elements stand out: firstly, a strategic trade theory position is visible which is in stark contrast to concepts labelled "open regionalism" (Bergsten 1997) or "competitive liberalization" (Zoellick, *FT* 19.11.2002).⁵⁸ The challenges

⁵⁶ It goes without saying that a substantial number of Council members are not unhappy about the slow progress overall (see Faust 2002: 18ff).

⁵⁷ Mercosur countries are home to some of the most competitive producers in a number of agro-industry sectors.

⁵⁸ In general, the US position is characterized by a stance of more pronounced rhetorical support and greater optimism about the overall effects (positive sum) of liberalizing markets for all partners involved in a trade agreement (rising tides argument).

from globalization and the effects of liberalization of markets are critically assessed. The following statements by a DG trade official stress this point: “If we don’t want the cold shower of competition to translate into a lethal shock for infant industry, the North-South RTA must meet some conditions” (Defraigne 2002:15); or “the multilateral route would (...) remain the safest one over the long term for the poorest because they could at least retain selectively higher protection for their own markets then they would in continent wide FTAs either with the EU or, as in the case of FTAA, with the US” (2002:9). In addition, the role of industrial policies – in light of the EU’s own experience – is stressed: “Our own economic history and most ‘Asian Tigers’ success-stories starting with Meiji’s Japan, point to the combination of industrial policy and market forces as the ingredients of success” (2002:17). Thus, the EU Commission pushes for regional trading zones, protection of infant industries and gradual liberalization of markets (within clear transition periods).⁵⁹ Secondly, there is a substantial dose of geopolitics visible. The mission to export the European model is clearly embedded in the EU’s strategy of working towards a multipolar world (Defraigne 2002). The EU Commission opts for inter-regionalism because it helps to create such a world through building alliances to influence global trade regulation. EU officials have often used geopolitical arguments depicting a multipolar world and pushing for spheres of influence as well as the necessity of gaining an advantage over key competitors.⁶⁰ There is also a dominant view that Brazil and the EU are natural partners in global governance where the need for balancing increasingly comes to influence the politics of trade. The EU trade strategy is “interpreted as a response to growing American influence in the Cono Sur area” (Faust 2002:4). Thus, there is a widespread feeling that “the EU-Mercosur deal may hold in check any fragmentation of the Latin American market which would be stimulated by bilateral trade deals between the US and Latin American countries” (Defraigne 2002: 9-10).

Thirdly, there is a strong development angle to the model. This vision embraces a policy of increasing operational soundness of institutions, including the strengthening of societal actors and the emphasis on the role and inclusion of non-profit NGOs as a central feature of open decision-making processes (Youngs

⁵⁹ GATT Art. 24 sets de facto time limits for the gradual implementation of trade agreements (i.e. 10 years).

⁶⁰ Asked about the concept of open regionalism, an EU trade official responded that this was a contradiction in terms as “PTAs are always discriminatory”, Interview with a DG trade official 22.6.2005/2.

2004:418, Grugel 2004).⁶¹ The Brusselisation of post-modern governance on a regional basis is being advocated. In addition, through trade and investment-related assistance (e.g. “aid-for-trade”, trade facilitation) the EU attempts to help its partners to reap more benefits from agreements.⁶² In effect, by engaging economically and politically with friendly regional regimes and by actively shaping and reinforcing the integration processes of these regions, the EU exports elements of its model, strongly underpinned by a “postnationalist, liberal collective identity” (Schimmelfennig 2001). Through such exchanges the EU defines, reinvents and legitimizes itself daily. Following Karl Deutsch’s “transactional” logic, commercial integration might help to promote a European identity at large and confirm “the notion that regions provide a logical mode of organizing the world economy and promoting economic development within regions” (Aggarwal and Fogarty 2004:14). This in turn strengthens the views officials hold on the optimal design of trade relations and contributes to fostering the very existence of the European model. This then helps to counter potential “cognitive dissonance” between reality and ideas (Zürn and Checkel 2005:1054) and can serve as buffer against processes leading to “adaptation”.

6.2 Commission’s strategies...

The Commission has used a number of strategies ranging from using permeability and involving interested stakeholders to giving rhetorical support to the negotiation process in order to pre-empt criticism. As described above, the Commission often seeks to work with parts of the export industries to help spearhead agreements and in order to bring new momentum to the negotiations.⁶³ The Commission has also involved the parliament – albeit with limited efforts – in the process to pre-empt late changes of position during the ratification process in which the EP has some powers. The EP for its part created a Mercosur Delegation to present the EP’s views throughout the negotiations process. The EP, however, is often pictured as a marginal player mainly due to the lack of knowledge; only few members of parliament acquire

⁶¹ In agreements with EU participation (i.e. partnership agreements, global agreements) economic liberalization is usually accompanied by so-called political chapters ranging from implementing a democratic dialogue, to the combating of corruption and the strengthening of institutions and civil society actors.

⁶² Depending on the stage of development, elements of “aid” (e.g. capacity building, technical assistance, aid programs) are a significant part of the agreements.

⁶³ Interview 31.8.2005.

sufficient expertise to engage in fruitful exchange with the Commission and the Council.⁶⁴

Notwithstanding occasional voices calling for the abandonment of the inter-regional approach and turning to bilateral negotiations with the “willing”, Trade Commissioner Lamy has on many occasions pushed for negotiations with the group as a whole, pre-empting growing criticism on the success of the trade talks with Mercosur. He has insisted on the importance of the EU having a strong regional partner in Latin America (Lamy 2001, 2002). Remarkable are the high frequency of shuttle diplomacy and the number (and content) of speeches delivered by Commissioner Lamy (as well as by his colleague Commissioner Chris Patten) related to the Mercosur negotiations. Joint leadership was strengthened by ample overlap of interests of the two key directorates involved.⁶⁵

6.3 Growing frustration...

With the opinion of Council members split, the Commission did not feel pressured to reconsider its overall strategy in light of the numerous difficulties encountered in the trade talks. In addition, the institutional setting (i.e. agenda-setting, exclusive competence to negotiate, high sanctioning thresholds) protects the Commission’s position from abrupt policy changes. The example of Mercosur also indicates, however, that while the institutional setting allows the Commission to pursue its overall direction in the negotiations, it needs the support of export industries and civil society groups in Europe to counter protectionist voices.⁶⁶

Recently, signs have multiplied that the Commission tunes down its own ambitions in the negotiations. Due to the EU’s policy objective to strengthen regionalism, progress in the trade talks is by default dependent upon domestic constraints hindering the functioning of Mercosur’s customs union. There seems to be

⁶⁴ Interview 31.8.2005. From the multiple principals’ perspective, the parliament’s interest is difficult to evaluate. In 1995 the parliament pushed for a rapid engagement with Mercosur to counter the US influence in the region (see Faust 2002:17). Yet, the parliament’s role in the negotiations has been rather marginal notwithstanding growing institutionalized contact between parliamentary committees and Commission services.

⁶⁵ Other directorates involved such as DG Enterprise, DG Agriculture, DG Environment are involved in the negotiations on particular aspects. It is not unusual that some Directorates follow other “orders” undermining the positions of DG Trade and Relex (i.e. DG Enterprise and DG Agriculture strongly back defensive interest), Interview 31.8.2005.

⁶⁶ With the exception of a number of environmental NGOs who fear negative effects on the rainforest due to increased trading, many civil society groups support the EU Commission, Interview 31.8.2005.

a gradually growing frustration among EU officials over the slow progress, illustrated by numerous setbacks, being made in creating a single market where goods, services and capital can flow freely and where common standards apply. Trade diplomats engage in critical comments which are usually a good proxy for the difficulties encountered and growing disillusion among negotiators. One key trade official complained that he had never seen or met anyone from the Mercosur secretariat, applying cynicism to describe the low (and not improving) integration state of the regional regime.⁶⁷ Due to failed progress (and frustration with regional negotiation partners) in the negotiations and the knowledge that future markets lie in Asia, a type of “adaptation” has been going on, helped by a new Commission (and DG Trade Commissioner) less attached to past policy formulas.⁶⁸

7. Conclusions

Young and Petersen (2006) argue that the so-called “deep” trade agenda reflects the EU’s own experience of market integration and we will see additional venue shopping in the future for structural reasons (e.g. balance of power in trade negotiations). While, I agree with this claim, I attempted to unpick the Brussels machinery to show to what degree the EU Commission sets the agenda and that the EU cannot be analysed as a unitary actor as many previous studies have done. Within a PA framework the paper indicated how autonomy in the multi-level system with a growing number of principals is constructed and how agents can use this autonomy. Institutional setting and the size and distribution of principals allow for a “buffer zone” for the Commission to act in. It is argued that the Commission is much more than an honest broker of interests, as most pluralist theories assume, it also pursues its own interests in an open decision-making system. The agent through agenda-setting power has kept to its overall strategy while opposition has risen. Signals from the principals were ignored knowing that the institutional setting worked in its favour. Permeability strategies have been applied. Further, the paper argued that variance in the Commission’s approach is more due to adaptation (crisis in Geneva, problems

⁶⁷ Interview with a DG trade official 22.6.2005/2. Mercosur has been downgraded as a privileged negotiation partners (now only one section under Latin America and Caribbean), see http://ec.europa.eu/trade/issues/bilateral/regions/index_en.htm webpage accessed 25 September 2006. Much of the negotiation history has been deleted and referred to DG RELEX’s webpage, webpage accessed 16 April 2007, see http://ec.europa.eu/trade/issues/bilateral/regions/index_en.htm

⁶⁸ Interview with a member of Mandelson’s Cabinet, 22.6.2005/3

with Mercosur) and a new Commission (including DG Trade)⁶⁹ more receptive to pushing economic over geopolitical arguments. Empirically, it has traced the so-called debates on choosing venues for trade agreement and has used illustrations from the EU-Mercosur negotiations.

Future research should tackle the agency side further. In particular, we need to know more how mechanisms of adaptation work (in the absence of clear principal pressure). In addition, it might prove fruitful to investigate the competition among Commissioners (e.g. DG Trade in relation to DG External Relations, Agriculture, Enterprise and Industry) and their diverging interests in negotiating trade. DG Trade, for instance, prefers multilateralism to bilateralism/regionalism as in the latter case the influence of other Directorates General increases; or it avoids regulatory venues where it is not in the driving seat and other Commission Directorates and member states have better access (e.g. OECD, ILO, WIPO) (see also Damro 2005). A better grasp of the factors involved in the internal power struggle will give a more accurate view of the different natures of the agent.

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