

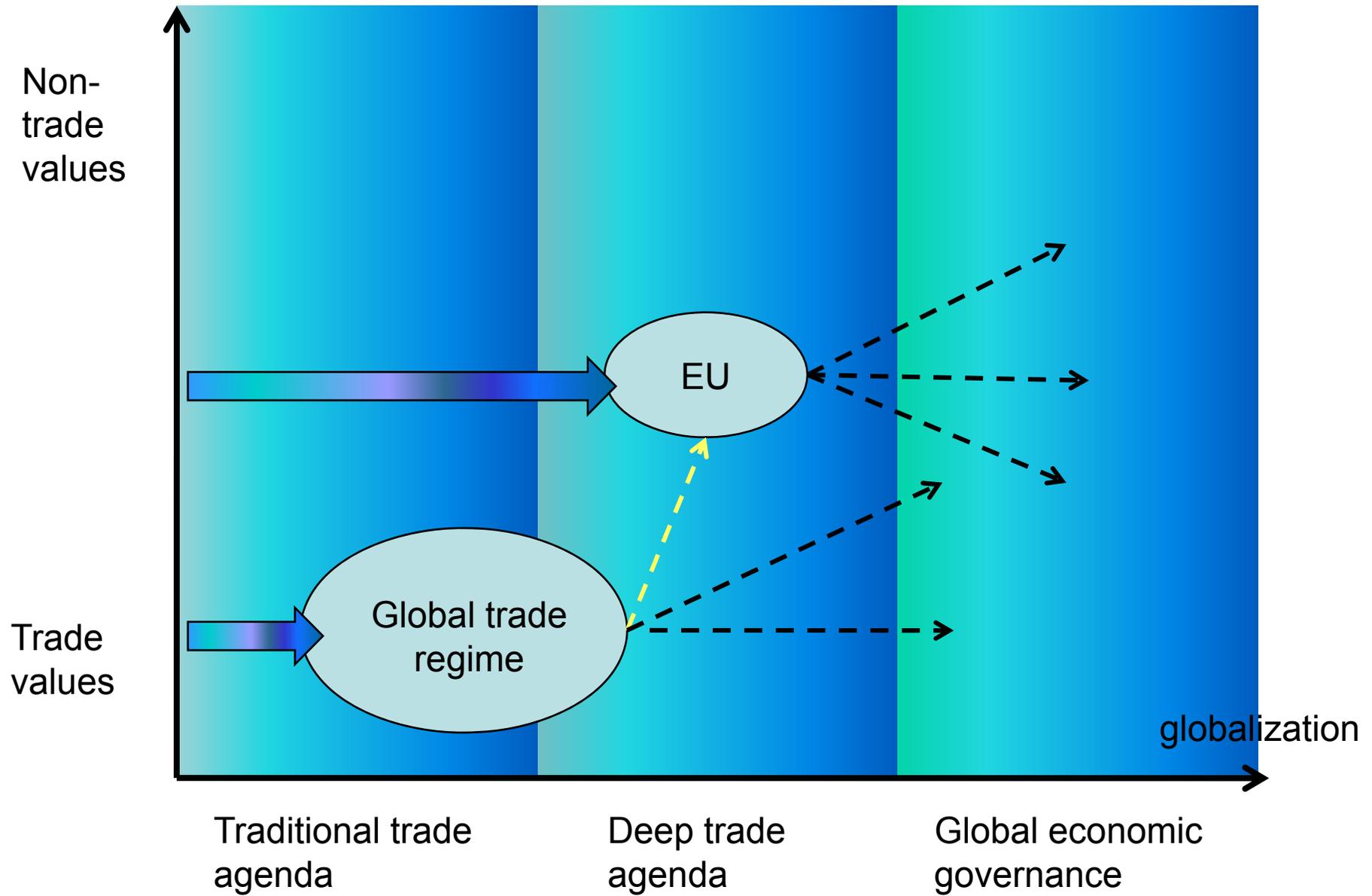
Institutional power and constraint for leadership

The EU in global trade negotiations

Yukari AKEDA
Keio University
akeda@law.keio.ac.jp

Introduction

- “Economic giant/ Political dwarf” proposition
- 1. How can the EU transform its market power into political influence in the global trade regime? → flourishing research agenda
 - A comparative look at the case of Japan (future agenda)
- An approach from leadership theory
- The EU has recently acquired an advantageous position in exercising leadership in global trade negotiations relative to traditional sovereign states because:
 - Peculiar institutional feature of the EU
 - A trading bloc with 27 member-states (MS) but not a state
 - An institution in the making
 - The Common Commercial Policy (CCP)
 - Parallel developments in the EU and the WTO
 - From traditional trade agenda to a deep trade agenda (deepening)
 - Expansion of membership and agenda (enlargement)
- 2. How will global trade governance evolve under the EU’s leadership?



What is leadership?

- Leadership in **multilateral** trade negotiations
 - The actions by actors to solve or circumvent collective action problems in the process of institutional bargaining
 - No agreement without leadership in the institutional bargaining process
- Three categories of leadership (by Young, O. R.)
 - Structural
 - Entrepreneurial
 - Ideational (intellectual)
- Not one mode of leadership is enough by itself
- leadership is exercised by **agents** (individual/collective) in trade negotiations
 - The case of the EU = the Commission

Structural leadership

- Translates material power resources into bargaining leverage to pressure others to reach an agreement in trade negotiations
- Rests not only on the absolute terms of power but also on **the assessment of the relative circumstances of participants**
- Two strategies according to the relative positional strength of the actor (Kindleberger, Odell)
 - High BATNA point – ‘arm twisting’
tied hand strategy
(Shelling, Meunier)
 - Low BATNA point – ‘bribery’ (side payments)

- BATNA (Odell, Woolcock, Elsig)
 - Best Alternative to Negotiated Agreement
 - High BATNA point → low cost of no-agreement
 - Low BATNA point → high cost of no-agreement

EU case for structural L.

- The base is **the single market** (GNP, population, trade and investment)
- Relative decline of its BATNA point
 - After the completion of the single market programme, the EU industries became more dependent on the world market/multilateral negotiations
 - Moratorium suspension of the bilateral/regional FTA negotiations (eliminated in 2006 by *Global Europe*)
 - Developing countries (the DCs) have been raising their BATNA point after the UR
- The EU strategy
 - Relying less on ‘arm twisting’, more ‘bribery’
 - Bribery strategy – increasing pressure from the DCs to open EU agriculture market
 - **Tied hand strategy** – less useful
- Increasing need for **flexibility** of the Commission and other modes of leadership

Entrepreneurial leadership

- Based on the ability of agents to shape the presentation of the issues and the framework of deals in ways that promote agreement
- Crucial mode for reaching an agreement in negotiations such as the DDA with multiple participants and agenda under **the consensus decision-making rule**
- Pivotal in combining other modes of leadership

EU case

- Depending on the Commission's negotiating skills and flexibility = the CCP

The CCP

- Art. 133 and 300 of the EC Treaty
- The Council delegates its negotiation authority to the Commission who negotiates as a sole representative of the EC (EU) in multilateral trade negotiations
- Typical “*de jure*” **Principal-Agent** structure (Pollack, et. al.)
 - The preference of the Commission
 - Maximization of its/EU’s competence (possibility of **agency slack**)
 - Member States as a (collective) principal have strong incentive to control the Commission
- Three stages of control in the CCP (Kerremans)
 - **Ex ante**: adopting negotiating mandate/directives
 - **At locum**: monitoring
 - **Ex post**: no ratification

- The P/A structure of the CCP with parallel developments of the WTO and the EU offers the Commission both an **opportunity** and a **motivation** for entrepreneurial leadership
 - Parallel developments → opportunity
 - The CCP → motivation
- Opportunity – **greater uncertainty** in negotiations with many participants and a broad agenda
 - Issue-linkage/diffuse reciprocity/coalition building
 - EU case = two-level
- Motivation – pre-emptive actions such as agenda setting and framing to exploit opportunity
 - Also two-level

P/A structure in a comprehensive trade negotiation

- Negotiation proposal by the Commission: pre-emptive action for leadership
- Ex ante control: general mandate rather than strict directives
- At locum control: monitoring through [the133 Committee](#)
 - More important than before for the MS
 - However conditioned by;
 - The initial proposal of the Commission (framing)
 - Multiple principal tactics by the Commission
 - Civil society, business groups, European Parliament
 - Relying more on entrepreneurial leadership
- Ex post control: high cost of no-ratification
 - Decline of the BATNA point of the EU
 - Highest in case of single under-taking procedure
 - Subject to pre-emptive action by the Commission

Ideational leadership

- Based on the ability of agents to generate ideas to shape the thinking of participants on the central issues of the bargaining process
- No direct/immediate effect, and a time-consuming form of leadership
- Important because:
 - It would change the guiding norms of the regime
 - The source of framing, innovational thinking in entrepreneurial leadership as well
 - Providing solutions to **the fundamental challenges** the global trade regime confronts
 - The balance between free trade norms and non trade norms
 - Democratic deficit of the WTO
 - Global Trade/Economic Governance after the global financial crisis

Sources of the EU Ideational L.

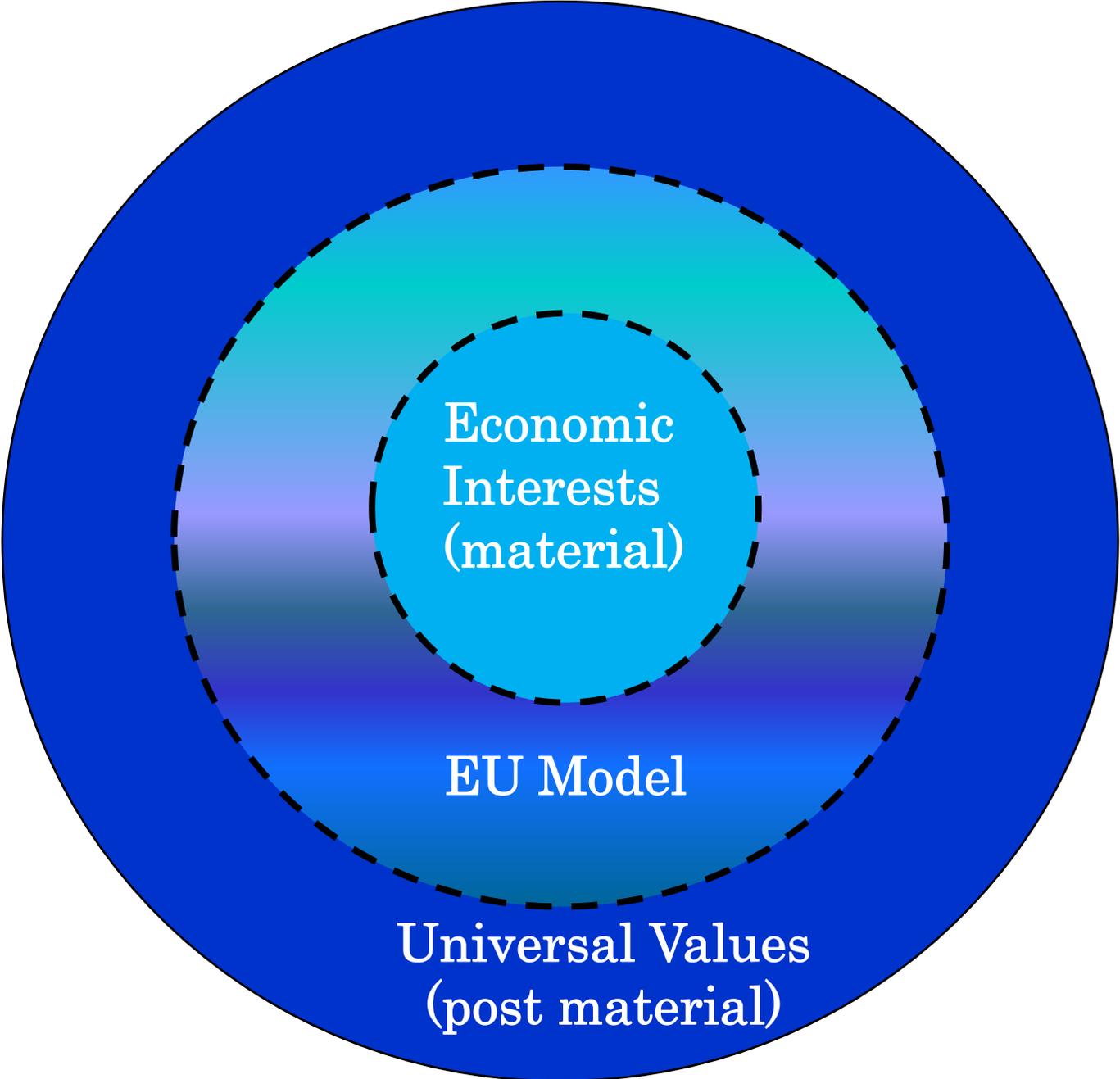
- Parallel developments, again
 - Move towards deep trade agenda in the global trade regime
 - Completion of the EU 1992 project
 - Single market as a model for globalization
 - EU approach to trade liberalization
 - The development of the EU social model
 - The balance between free movement norms and other social norms
- Identity searching of the EU in the international arena
 - Alternative to:
 - Westphalian sovereign states
 - The Europe of the past (war and colonialism)
 - The US as a hegemon
 - Norm-oriented EU (Mannars, et. al.)

The purposes of EU leadership: material or not material?

- The DG Trade website
 - **A competitive European Economy** in an open world trade system organized by multilateral rules
 - Secure real market access in foreign countries
 - Promote European values
 - Support a strong multilateral trading system
- Observations by researchers
 - Preference for further trade liberalization (Hanson)
 - Promoting deep trade agenda (Young, A.)
 - Exporting EU approach to trade liberalization (Meunier)
 - Projection of the EU social model (Tsoukalis)
- Views from the DCs
 - Disguised protectionism
 - Imposition of European values

Structure of EU preferences in the DDA

- Is the EU really promoting values (post-modern state) (Cooper) or just using values strategically to secure its material (economic) interests (modern state)?
 - Both aspects are true and they are inseparable
 - EU model is supported by both the EU's material (economic) successes and non-material values



Economic
Interests
(material)

EU Model

Universal Values
(post material)

material



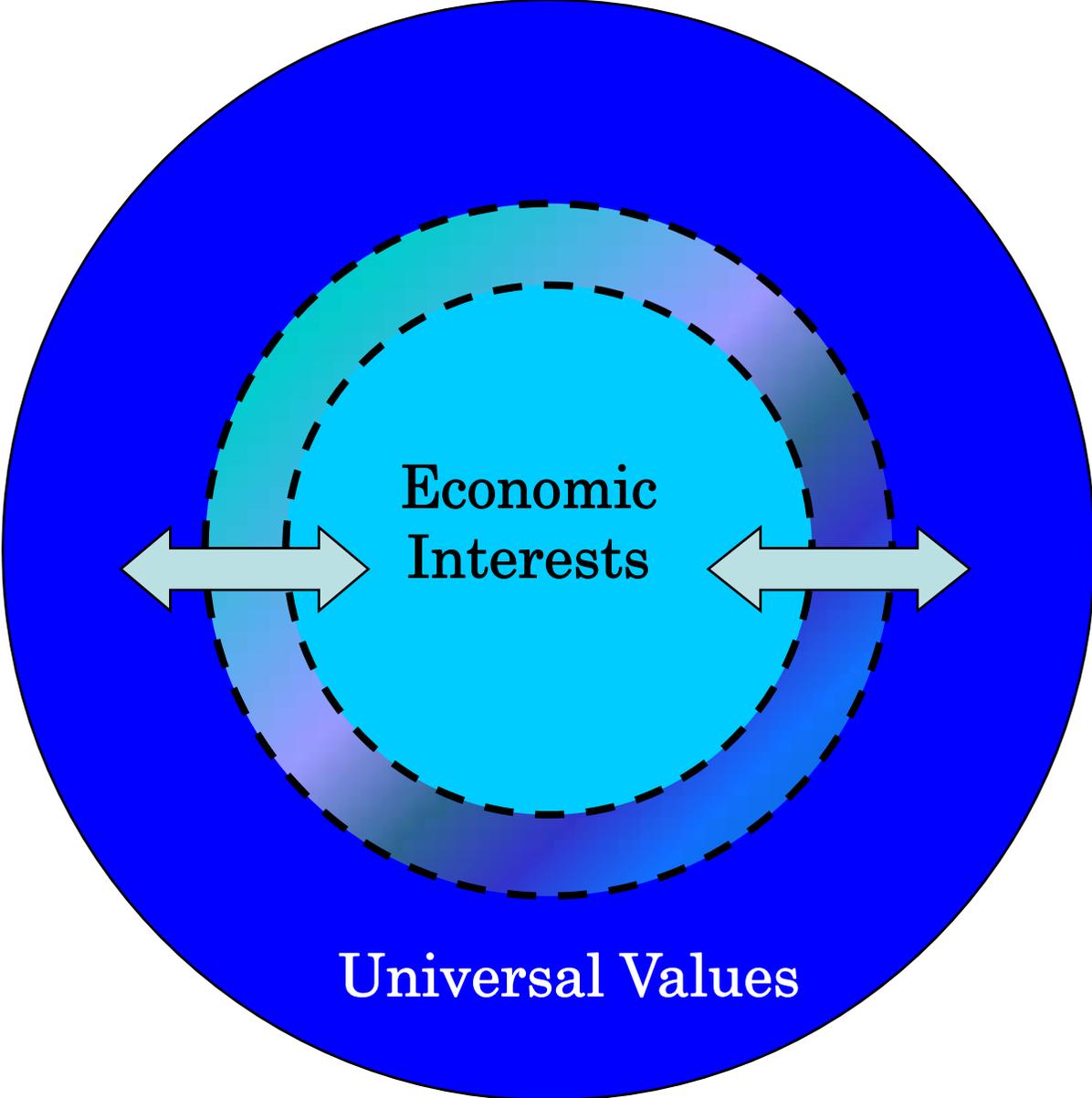
non-material

EU preferences	Contents
Economic interests	Foreign market access Protection of certain sectors agriculture
EU Model Trade Regulation Model	Service TRIPs Singapore issues Investment Competition Public procurement Trade facilitation
EU Model Social Model	Consumer protection Food safety Environment Precautionary principle Core labor standard Culture Civil society involvement Agriculture (multi-functionality)
Universal Values	Social justice Fairness Human rights Development Rule of Law

- Ideas and values are more important for the EU than for traditional sovereign states
 - The EU is still in the making, constantly searching for its identity in the international arena
 - Peculiar interpretation of general values
 - Exporting EU values, projecting the EU model: a crucial part of its identity building

Constraints for EU leadership

- Decline of structural leadership
- Legitimacy and efficiency of the EU Model
 - Western model
 - A bad model for global trade regime (Jones)
 - Disguised protectionism
 - Strong opposition from the counterparts esp. the DCs
- The limitat of the Commission's entrepreneurial leadership
 - failure in building coalitions
 - With DCs: DDA, EBA initiative, Waver on TRIPs for HIV medicine
 - With Industrial Countries: Singapore issues, post material agenda
 - After concessions made by the EU (withdrawal of most of the EU Model), the DDA became a more **traditional trade negotiation** with some new universal norms such as fairness, development...
 - Concessions in agriculture will be necessary
 - Specific reciprocity
 - Arm twisting strategy became more inappropriate = **Normative trap**
- Need for new source of ideational leadership
 - The EU Model → New Bretton Woods (?)
- Need for new source of structural leadership
 - *Global Europe* → raising its BATNA point, Identity shift to a normal state



Conclusion

- EU as an institution in the making (experimental arena of globalization + identity searching) and its strict P/A structure in the CCP – source of the Commission's leadership in multilateral trade negotiations
 - Not always but under certain conditions
 - The DDA - a window of opportunity led by parallel developments in the EU and the WTO
- Change in relative circumstances of the EU in the DDA
→ Normative trap → expectation/capability gap in EU leadership
- A search for new combination of three modes of leadership is necessary and has already been started

The case of Japan (future agenda)

- Structural leadership
 - Relative decline of its market power
 - Low BTANA point
- Entrepreneurial leadership
 - No *de jure* P/A structure, no explicit *de fact* P/A structure
 - Diffused responsibility among ministries
- Ideational leadership
 - Decline of legitimacy and efficiency of Japanese Model
 - Japan's identity
 - Defined by relations against others
 - Others no.1= the US
 - Others no.2= Asian neighbor states
 - Strong constraints for explicit leadership of Japan

Reference

- Aggarwal V. and Fogarty A. A. (2004) *EU Trade Strategies: Between Regionalism and Globalism*, Hampshire: Palgrave Macmillan.
- Akeda, Y. (2006) 'The EU Trade Policy Dialogue and the Emergence of EU Civil Society: A Model for Global Trade Governance?' (in Japanese), in Tanaka, T. and Shoji, K. (eds.) *The EU and Citizens*, Tokyo: Keio University Press.
- Akeda, Y. (2007) 'Tied Giant: The EU's Power and Identity in the GATT/WTO Regime' (in Japanese), in Tanaka, T., Kokubo, Y. and Tsuruoka, M. (eds.) *International Politics of the EU: The Dynamics of Internal Political Order and External Relations*, Tokyo: Keio University Press.
- Barnett M. and Duball R. (2005) *Power in Global Governance*, Cambridge: Cambridge University Press.
- Bordwin, R. E. (2007) 'Political Economy of the Disappointing Doha Round of Trade Negotiations', *Pacific Economic Review*, 12: 3.
- Bretherton, C. and Vogler, J. (2006) *The European Union as a Global Actor, second edition*, London: Routledge.
- Cooper, R. (2003) *The Breaking of Nations: Order and Chaos in the Twenty-first Century*, Great Britain: Atlantic Books.
- De Bièvre, D. and Dür, A. (2005) 'Constituency Interests and Delegation in European and American Trade Policy', *Comparative Political Studies*, 38:10.
- Devuyst, Y. (1995) 'The European Community and the Conclusion of the Uruguay Round', in Rhodes, C. and Mazey, S. (eds.) *The State of the European Community, Vol. 3, Building a European Policy?* . Boulder: Lynne Rienner.
- Dür, A. (2008) 'Bringing Economic Interests Back Into the Study of EU Trade Policy-Making', *British Journal of Politics and International Relations*, 10: 1.
- Diamond, W. D. and Hart, M. M. (2000) 'Post-Modern Trade Policy: Reflections on Challenges on Multilateral Trade Negotiations After Seattle'. *Journal of World Trade*, 34: 3.
- Elsig, M. (2002) *The EU's Common Commercial Policy: Institutions, interests and ideas*, Hampshire: Ashgate.

- Elsig, M. (2007) 'Delegation and Agency in EU Trade Policy Making: Bringing Brussels Back in', *Working Paper No 2007/21*, nccr trade regulation.
- European Commission (2002) *Making globalization work for everyone: The European Union and world trade*, Manuscript for information brochure.
- European Commission, COM (2006) 567 final, *Global Europe: Competing in the World: A Contribution to the EU's Growth and Jobs Strategy*.
- European Commission, COM (2009) 114 final, *Communication for the Spring European Council: Driving European Recovery*.
- Falke, A. (2005) 'EU-USA Trade Relations in the Doha Development Round: Market Access versus a Post-modern Trade Policy Agenda'. *European Foreign Affairs Review*, 10.
- Goldstein, J. (1993) *Ideas, Interests, and American Trade Policy*, Ithaca: Cornell University Press.
- Hanson, B. T. (1998) 'What Happened to Fortress Europe?: External Trade Policy Liberalization in the European Union'. *International Organization* 52: 1.
- Hill, C. (1993) 'The Capability-Expectations Gap, or Conceptualizing Europe's International Role', *Journal of Common Market Studies*, 31: 3.
- Howarth, D. (2008) 'Delegation and Commission Leadership in Economic and Monetary Union', in Hayward, J. (ed.), *Leaderless Europe*, Oxford: Oxford University Press.
- Jones, E. (2006) 'Europe's market liberalization is a bad model for a global trade agenda', *Journal of European Public Policy*, 13:6.
- Kerremans, B. (2006) 'Proactive policy entrepreneur or risk minimizer? A principal-agent interpretation of the EU's role in the WTO', in Elgstrom O. and Smith M. eds, *The European Union's Roles in International Politics: Concepts and analysis*, NY: Routledge.
- Lamy, P. (2004) 'Europe and the Future of Economic Governance', *Journal of Common Market Studies*, 42: 1.
- Manners, I. (2002) 'Normative Power Europe: a contradiction in terms?', *Journal of Common Market Studies*, 40: 2.
- Mattoo, A. and Subramanian, A. (2009) 'From Doha to the Next Bretton Woods: A New Multilateral Trade Agenda', *Foreign Affairs*, 88: 26.

- Meunier, S. (2005) *Trading Voices: The European Union in International Commercial Negotiations*, Princeton: Princeton University Press.
- Meunier, S. (2007) 'Managing Globalization? The EU in International Trade Negotiations', *Journal of Common Market Studies*, 45: 4.
- Meunier, S. and Nicolaïdis, K. (1999) 'Who Speaks for Europe? The Delegation of Trade Authority in the EU', *Journal of Common Market Studies*, 37:3.
- Meunier, S. and Nicolaïdis, K. (2006) 'The European Union as a Conflicted Trade Power', *Journal of European Public Policy*, 13: 6.
- Meunier, S. and Nicolaïdis, K. (2005) 'The European Union as a Trade Power'. In Hill, C. and Smith, M. (eds.) *International Relations and the European Union*. Oxford: Oxford University Press.
- Murphy, A. (1990) *The European Community and the International Trading System*, Brussels: Centre for European Policy Studies.
- Murphy, A. (2000) 'In the maelstrom of change – the Article 113 Committee in the governance of external economic policy', in Kirchner, E. and Christiansen, T. (eds.), *Committee Governance in the European Union*, Manchester; NY: Manchester University Press.
- Odell, J. (2000) *Negotiating the World Economy*, Ithaca and London: Cornell University Press.
- Orbie, J. (2008) The European Union's Role in World Trade: Harnessing Globalisation?, Orbie, J. (ed), *Europe's Global Role: External Politics of the European Union*, Farnham: Ashgate.
- Paemen, H. and Bensch, A. (1995) *From the GATT to the WTO: The European Community in the Uruguay Round*, Leuven: Leuven University Press.
- Pollack, M. A. (1997) 'Delegation, Agency and Agenda-Setting in the European Community', *International Organization*, 51:1.
- Pollack, M. A. (2003) *The Engines of European Integration: Delegation, Agency, and Agenda Setting in the EU*, Oxford: Oxford University Press.
- Putnam, R. D. (1988) 'Diplomacy and Domestic Politics: The Logic of Two-Level Games'. *International Organization*, 42: 3.

- Sampson, G. P. (ed.) (2008) *The WTO and Global Governance: Future Directions*, United Nations University Press.
- Schimmelfenning, F. (2001) 'The Community Trap: Liberal Norms, Rhetorical Action, and the Eastern Enlargement of the European Union', *International Organization*, 55: 1.
- Shelling, T. (1960) *The Strategy of Conflict*, Cambridge: Harvard University Press.
- Shu, M. (2009) 'The Coexistence of "Supra-national" and "Inter-governmental": The Current Situation and Problems in the EU Common Commercial Policy' (in Japanese) in Tanaka, T., Shoji, K. and Asami, M. (eds.) *EU Governance and Policy Making*, Tokyo, Keio University Press.
- Smith, M. (2006) 'The European Union and International Political Economy: Trade, Aid and Monetary Policy' in Jorgensen, K. E., Pollack, M. A., and Rosamond, B. (eds.), *Handbook of European Union Politics*, London: SAGE Publications.
- Steinberg, R. (2002) 'In the Shadow of Law or Power? Consensus based bargaining in the GATT/WTO', *International Organization*, 56: 2.
- Tsoukalis, L. (2005) 'Managing Interdependence: The EU in the World Economy'. In Hill, C. and Smith, M. (eds.) *International Relations and the European Union*, Oxford: Oxford University Press.
- Vahl, R. (1997) *Leadership in disguise: the role of the European Union Commission in EC decision-making on agriculture in the Uruguay Round*, Hants: Ashgate.
- Woolcock, S. (2003) 'Theoretical Analysis of Economic diplomacy', in Bayne, N. and Woolcock, S. *The New Economic Diplomacy: Decision-making and negotiation in international economic relations*, Hampshire: Ashgate.
- Woolcock, S. (2005) 'European Union Trade Policy: Domesitic Institutions and Systemic Factors', in Kelly, D. and Grant W. (eds.), *The Politics of International Trade in the Twenty-First Century: Actors, Issues and Regional Dynamics*, Basingstoke: Palgrave Macmillan.
- Young, A. R. (2004) 'The Incidental Fortress: The Single European Market and World Trade', *Journal of Common Market Studies*, 42: 2.
- Young, A. R. (2007) 'Trade Politics Ain't What It Used to Be: The European Union in the Doha Round', *Journal of Common Market Studies*, 45: 4.
- Young, A. R. and Peterson, J. (2006) 'The EU and the new trade politics', *Journal of European Public Policy* 13:6.
- Young, O. R. (1991) 'Political leadership and regime formation: on the development of institutions in international society', *International Organization*, 45, 3, summer.