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Politieke Wetenschappen

Lost in Aggregation

Domestic public and private economic actors in EU Trade Negotiations



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Margaux KERSSCHOT

Promotor KU Leuven: Prof. Dr. Bart Kerremans

Promotor UAntwerpen: Prof. Dr. Dirk De Bièvre

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Samenstelling van de examencommissie:

Prof. Dr. Peter Bursens (voorzitter)

Prof. Dr. Bart Kerremans (promotor KU Leuven)

Prof. Dr. Dirk De Bièvre (promotor Universiteit Antwerpen)

Prof. Dr. Peter Bursens [Universiteit Antwerpen]

Prof. Dr. Ferdi De Ville [Universiteit Gent]

Prof. Dr. Maria Garcia [University of Bath, UK]

Prof. Dr. Steven Van Hecke [KU Leuven]

Prof. Dr. Jan Van Hove [KU Leuven]

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Preface

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Part I

Trade policy-making

1. Introduction

Charlotte: 'I just don't know what I'm supposed to be.'

Bob: 'You'll figure that out. The more you know who you are and what you want, the less you'll let things upset you.'

Lost in Translation

Two characters in a foreign country, Japan, feeling isolated and lonely. Lost, due to the experience of literally being in an unknown place, where their understanding and communications are lost in translation, creating a world of exclusion. Lost, finding themselves at a crossroads in their lives, where the relationships are difficult and meaning is... lost. The doubts in life are amplified by the mutual feelings of isolation in an alienated setting.

Just like Bob and Charlotte (portrayed by Bill Murray and Scarlett Johansson) find difficulties in knowing their paths in life, in identifying the possibilities and their preferences to move forward, and find themselves surrounded in a world unknown, certain actors can get 'lost' in the decision-making process on EU trade negotiations. For first of all, of what is this Tokyo of decision-making made? The locus of decision-making, the Brussels bubble, may come across as distant, an unknown world, where a culture needs to be learnt, and the 'Brussels-speak' technique acquired. Second, one needs to be aware of what happens in Tokyo, to read the surroundings. An actor in Brussels needs to know when something is up. What are the negotiators discussing in the Free Trade Agreement (FTA)? Which specific persons are writing down the technicalities on a topic and when will this come up in a negotiation round?

Apart from operating in a world unknown – and it being up to every actor herself to decide on whether to engage in a dialogue with it or not, actors may not even know their own preferences. Just as it might be difficult to know which path in life to pursue, actors may not be able to identify their preferences or to translate this into a position on the negotiations. This dissertation will shed light on how certain types of actors may get (or feel) 'lost' in the aggregation of preferences and coordination between institutional levels of EU decision making on free trade negotiations.

More concretely, at the end of the dissertation I will argue that certain actors do not manage to make the translation exercise needed to weigh on EU trade negotiations and explain why. Both

regional authorities and firm's interests remain often unknown and undefined, and fall in between the cracks.

In this dissertation, I will investigate the involvement and non-involvement of public and private actors in the EU's external economic policies, by closely investigating both actors' roles separately and inquiring their motives behind the ways of involvement in trade policy decision making. This dissertation is structured along these two domestic variables of trade policy making.

Domestic decision-making in the EU, on its external trade negotiations, involves two important streams of information. In the words of Woll and Artigas (2007), the way the state is organized, influences the way societal actors mobilize, also the crucial information of the societal actors has an impact on the state's way of accommodating their interests. The state cannot formulate trade preferences on very technic, specific issues without enough information from business interests, and societal actors cannot provide input when they are unknowledgeable of the occurring negotiation context. Therefore, exploring both types of actors and identifying at which levels they engage in exchanges of information and why this takes place at those levels, provides important insights into the way trade negotiations are decided.

The first stream of information is a top-down stream on the state of play of the negotiations. In order to have a say over the outcome, a prompt monitoring, and reaction when necessary, of the negotiations is required for an actor. In addition, in order to define a proper position in those negotiations, knowledge is needed on economic interests: whether that is one's own interest, the interest of a whole sector, or a regional/national/European wide interest. This is the bottom-up stream of information. Not all actors are capable of defining well-informed positions in trade policy, by which policy is not disconnected from reality and therefore includes economic actors' needs and interests, while it also manages to obtain a broader policy-oriented view rather than an immediate fix of only one specific trade barrier. In order for such well-informed positions to emerge, these two types of information need to be connected. It appears that this is the way that policy-makers and private actors perceive as the optimal way of making policy, within certain limitations. It is therefore fair to argue that the actors that manage to link these two types of necessary information one way or another, and manage to successfully translate this into positions, are the ones that are the best informed to formulate positions, and are also perceived like that by the other actors.

I thus aim to explore why specific actors are able to contribute to more optimal policy formation and where they are situated in the multi-level domestic European arena. My overarching research

question is therefore: *Why are certain actors, both private and public, better able to contribute to policy-making on trade negotiations than others?*

In order to find out, I break down this dissertation in two parts. In the first, I explore public actors' information-gathering and coordination on trade negotiations, on the regional, national and European level. In doing so, I fill two gaps in the existing literature on the topic. First, the trade policy literature has so far overlooked the level of regional authorities. By adding the regional level and assessing the actions of regional authorities on trade negotiations, I contribute empirically to the literature on EU trade policy-making. And second, the literature on regionalism/federalism never looked at EU external economic policy specifically. In times of 'glocalization' where two trends coalesce, one towards globalization and one towards localization; or where regional authorities in the EU have become increasingly competent over policy areas and are increasingly opening EU offices, it is crucial to scrutinize their involvement. Finally, by doing so, I contribute by a refinement in existing principal-agent models of trade policy formation in the multilevel system of governance of the EU. At the conceptual level, this dissertation's first part on regions adds to the literature on principal-agent by bringing new insights on the way a chain of delegation functions in a system of autonomy and control, and by putting the concept of endorsers into the spotlight while introducing a new concept, the transceiver.

As a result, *the research question in Part I is the following.*

What explains differences and similarities in the extent to which regional authorities exert control over EU trade negotiations?

The first part thus focuses on how government institutions interact and engage in decision-making, and on which information is needed for defining a position. On the level of regional public authority involvement in this process, I compare three European administrative regions: Flanders, Scotland, and Hesse. An exploration of the role of regional authorities is highly relevant, as these may have diverging interests from their member state. Trade negotiators more generally are increasingly becoming aware of the impact of regional authorities on the negotiation of trade agreements. The EU, for example, has demanded the involvement of Canadian provinces in the negotiation of a comprehensive economic trade agreement, as they could otherwise block market access on procurement.

In Part II, I address the following questions.

At which levels do firms lobby on EU trade negotiations and why? Do they lobby directly or via associations and why?

The second part thus investigates private sector involvement and interest representation. Again, I look at the three European layers of governance, being the regional, national and European. By investigating how and why this happens or not – and especially where the private sector communicates its interests, I seek to gain insight into the reasoning of firms on their lobbying strategies (including why they do not engage in it at all), constituting the second main empirical contribution of this dissertation. Conceptually, I provide a simple, yet new and innovative classification of firms according to the possible combinations of targeted levels of governance. The results from the second part will allow me to be more specific than the existing literature on lobbying, another contribution. Large firms in highly concentrated sectors lobby on trade negotiations at several levels, the European and national levels – and target them in that order.

Not all public and private actors are capable to aggregate information on interests and on trade policy, necessary to define a position in trade negotiations. Acquiring information is a costly exercise (see for example Austen-Smith & Wright, 1994). Obtaining one type of information may require all their time and effort, which is why information on certain domestic interests may get lost in the preference aggregation process. To find out why Bob and Charlotte get lost in the Tokyo of EU external trade negotiations, but might not have elsewhere, therefore constitutes the purpose of this dissertation.

2. Trade policy-making

1. Domestic Explanations in (EU) Trade Policy-Making

Economists study the impact of trade on a country's and on individual welfare. The existence of comparative advantages or economies of scale may enhance welfare through trade liberalization. The logic of comparative advantage helps to explain inter-industry trade (i.e. countries produce and export products based on their comparative advantages), e.g. in terms of differences in productivity (Ricardian trade model) or in terms of differences in endowments (Heckscher-Ohlin trade model). Intra-industry trade (i.e. two-way trade in similar products), is usually explained with the existence of economies of scale ('the new trade theory'). According to this new trade theory, countries do not necessarily specialize and trade only to take advantage of their differences, but also because trade permits firms to benefit from increasing returns to scale, that is, from a tendency of unit costs to be lower with larger output. (Eckhardt, 2011; Nelson, 1988; Oatley, 2010).

Yet, while free trade was shown superior on efficiency grounds, the fact that governments kept adhering to protectionist practices remained inexplicable to them. How could this puzzle be explained? Political scientists or political economists, describing the world of trade with a different question in mind, tried to shed light on this apparent mystery, focusing on explaining policy by the 'politics of protection'. On the one hand, authors centered attention on the role of public actors in policy. On the other, and building on the economic models, political scientists argued that economic actors with protectionist interests would more easily overcome barriers to mobilization than actors preferring more liberal trade policies. As a consequence, the lobbied governments would favor protectionist trade policy measures in order to please their constituents. Researchers converged on this new path to explain why (despite the benefits of free trade) governments adopt protectionist trade policy measures.

The political science oriented strand of research is not looking at what brings wealth to nations, yet at what explains the specific trade objectives that governments pursue in international trade. In this vein, researchers have discerned two main approaches to trade politics, the state-centered and the society-centered explanations. The state-centered approaches emphasize the autonomous role

of state actors and institutions in the trade policy-making process. In society-centered explanations, states simply form passive belts that transmit society's preferences (Eckhardt, 2011; Oatley, 2010). Quite similarly, Duchesne & Morin (2013) conceptualize it as two domestic structural variables that may explain trade negotiations, namely 'institutional constraint' and 'political support'. Milner (1999) then again mentions 'political institutions' and 'trade policy preferences' as the two domestic explanations to trade policy. In the following sub-sections, I will explain in greater detail these approaches rooted in domestic politics, after which I will argue that an exploration of both types of actors (public and private) separately, whilst in addition keeping an eye on their interaction, may lead to fruitful insights more than by relying instead on a single approach. This research will combine an exploration of the political institutions (intergovernmental relations) in their coordination on trade policy, with an exploration of the targets and strategies of societal actors in trade policy lobbying in order to identify whom is able to connect both types of information and why.

1.1 Political institutions and a focus on state actors

Once academics on trade policy managed to account for protectionist tendencies by use of society-centered explanations, the switch to state-centered approaches offered a solution to another puzzle, the unexpected liberalization trend that sprouted in the 1980s (Milner, 1999). If economic actors would mobilize mainly when facing concentrated costs, how could one interpret the liberalization of trade policies? Authors such as Meunier (2005) argued that 'European policy-makers 'chose to centralize trade policymaking in order to insulate the process from protectionist pressures and, as a result, promote trade liberalization.' (p.8). The answer was to be found by redirecting attention to state actors.

There are two main understandings on what a state-centered approach constitutes. Strictly spoken, a state-centered approach argues that 'national policymakers intervene in the economy in pursuit of objectives that are determined independently from domestic interest groups' narrow self-interested concerns' (Oatley, 2010, p. 90). This strict assumption has mainly been used in research focusing on the role of (domestic) policy-makers' preferences in trade policy. Non-domestic explanations (e.g. foreign policy, the distribution of power at the international level) and non-institutional accounts (including for example role of policy-makers' preferences and ideas) of trade policy are not considered here. In this research I will introduce the regional level into the domestic coordination on EU trade policy, to which a focus on the role of institutions applies best.

A more relaxed version of the state-centered assumption concerns governments that can act *relatively* unconstrained by interest group demands. Under specific circumstances, policy makers can define their proper goals. They can because they are insulated from societal demands by the way the institutions are structured and by the fact that powers on decision-making may have been delegated to them. ‘Scholars interested in highlighting the importance of domestic, particularly institutional, factors in determining international outcomes could consider [...] the nonneutral role of institutions in the aggregation of individual preferences at a collective level’ (Meunier, 2005, 180). An even less strict view on state-centered explanations acknowledges the interaction between state and societal actors, and the role the latter play, but simply places studies elaborating on the state side (e.g. intergovernmental relations) within this strand. This has often been the case for institutional (and principal-agent) analyses of decision-making in EU trade policy.

I zoom in on explanations using a rational choice institutionalist approach, more specifically on bureaucratic theories of delegation and the principal-agent (PA) framework. PA is first of all a most useful model in order to structure and link both types of domestic actors and their interaction by the way in which they coordinate and share information with one another. The focus on information asymmetries between actors is an important and helpful tool to answer the research questions mentioned above. The concepts of principals, agents and of control are most helpful to structure the analysis of how public authorities coordinate on trade policy, and on how the top down stream of information trickles down to lower level actors in the chain of delegation. Such a chain of delegation comes into play when more than one PA-relationship occurs and these are structured in a hierarchical fashion. A principal delegates to an agent, that delegates to another agent. The actors in the middle of the chain thus perform both functions of agent and principal. Furthermore, the concepts endorser and fire alarm allow including private actors’ in the picture and how their information on economic interests gets communicated to public actors (bottom up information). The principal-agent (PA) framework therefore serves as the basis for the first part in this dissertation that focusses on the role of regional authorities in decision-making on EU trade policy.

Originating in economics (Ross, 1973), and despite Barry Mitnick’s early efforts (Mitnick, 1973), PA took off in political science only later on, with scholars trying to explain congressional dominance in the US political system (McCubbins, Noll, & Weingast, 1987b; McCubbins & Schwartz, 1984). A range of scholars has turned to PA, ‘a flexible heuristic tool’, to make sense of EU trade policy-making (Poletti & De Bièvre, 2014), and used PA to grasp the political dynamics taking place between the Commission and the Member States (see for example Adriaensen, 2014; Da Conceicao, 2010; De Bièvre & Dür, 2005; Dür & Elsig, 2011; Frennhoff-Larsen, 2007; Kerremans, 2006).

Several authors have focused on the initial act of delegation in the EU: why, how, under which circumstances and with what consequences do member states delegate powers to the European

institutions? Or, through which process does Europeanization, that is, the transfer of policy-making power from the national to the European level, take place? (Dür, 2012; Pollack, 1997; Tallberg, 2002). Authors have also looked at types of agent that can be created (see for example Dür, 2011).

It has been argued that Europeanization has been driven by the supranational actors, in particular EU institutions such as the Commission, which has caused a loss of control of the member states (Meunier, 2002). Yet, the opposing argument has also been made, increasing delegation of powers has been accompanied by control mechanisms that make sure that the agent's scope for autonomous action is tightly circumscribed (see for example De Bièvre & Dür, 2005).

Academics further focused on this puzzle of control, where the tension between the member state principals and the European Commission agent is investigated (Da Conceição, 2010; Tom Delreux & Kerremans, 2010). Kerremans (2006, 2004) focuses on the aspect of anticipation into PA. The Commission agent anticipates the preferences of the member state principals, which may both be interpreted as the Commission binding itself beforehand, or, as anticipation that leads the Commission to deploy its advantage to put pressure on the principals (Tom Delreux & Kerremans, 2010). The question whether and when the agent enjoys more leeway (Tom Delreux & Kerremans, 2010; Elsig, 2007a; Meunier & Nicolaïdis, 1999) or whether and when the principals are able to effectively control this negotiating agent (Dür, 2011), remains debated and relevant up to date. Kassim & Menon (2003) reveal that the disagreement may be due to the underlying convictions of the investigator and to whether the author implicitly adheres more to a supranationalist or intergovernmentalist view on EU integration. Principal-agent is a useful heuristic tool, and while its 'neutrality' on this issue may be seen as an advantage and a way to overcome or avoid getting stuck in the supranational-intergovernmental debate, one should be weary of authors' dispositions shining through in its application. Kassim and Menon warn us for the potential problems of focusing on the meso-level alone. The lesson learnt is that one should always keep in mind the larger debates, as these inspire researchers even when they are not explicitly focusing on it (and whether they are conscious about it or not), a lesson I will try to keep in mind during the course of this research. Furthermore, Damro (2007) warns for two typical pitfalls of the PA approach, namely problems of multiple agents and observational equivalence, of which the author argues they are more likely in trade policy than competition policy.

Nonetheless, assuming that states make policy independent of domestic pressures is misleading. Even highly autonomous states do not stand above *all* societal interests. Empirically, on EU trade policy, evidence shows that the EU's trade policy is largely in line with economic interest group (or even producer) demands (see for example Dür, 2008; Dür & De Bièvre, 2007). Theoretically, this would be due to the EU's institutional architecture facilitating lobbying (Dür & Lechner, 2014).

Interest groups may not dictate policy either, as the society-centered approach then again claims, but they do establish the parameters in which policy must be made (Oatley, 2010). In the next section, I therefore introduce the literature on the second focus of attention of this dissertation, situated on the societal sources of trade policy making.

1.2 Society's actions and preferences

A society-centered explanation assumes, posits, or argues that societal interests dominate trade policy outcomes and aims to investigate the trade preferences, political pressure and influence of societal actors in the trade policy arena (Eckhardt, 2011). ‘A fundamental assumption of the research [...] surveyed here is that political outcomes are supplied by the government in response to demands from the economy’ (Nelson, 1988). International Political Economy scholars have geared their attention towards ‘how the global economy affects different societal groups and how resulting domestic political pressures shape foreign economic policies’ (Crystal, 2003, p. 407). The author mentions that a consensus approach has emerged toward conceptualizing the policy process, by identifying the relevant actors, deducing how their interests are affected by international economic forces, examining the organization of the groups, and exploring how political institutions mediate the pressure exerted upon government officials (Crystal, 2003).

Importantly, the foundation of this approach is formed by the argument that ‘Domestic groups seek protection or liberalization because such policies increase or decrease their incomes’ (Milner, 1999, p. 95). The anticipation of (lobbying) and reaction (e.g. trade union) to the distributive consequences of trade policy become the explanation for its causes. I argue that trade policy and trade negotiations specifically, no longer qualify as purely distributive policies¹. Trade negotiations these days comprise a large number of topics. Most FTAs concluded since the turn of the century, are rule-based and all-encompassing, and negotiated at a highly detailed and specific level. They deal with behind-the-border barriers to trade such as public procurement, competition, investment protection, sanitary and environmental measures (Duchesne & Morin, 2013), whereas the main focus used to be on at-the-border barriers such as tariffs. Trade agreements are regulatory in nature, yet they still generate distributive effects.

¹ De Ville & Siles-Brügge (2016) make a similar observation, arguing that the increase of behind-the-border trade measures has caused a shift in mobilization, which has changed from purely distributive conflict (involving competing economic interests) to normative conflict (including civil society groups) (p. 94-95).

In the next paragraphs, I will define the appropriate unit of analysis (in my case firms) and the next steps on how to move forward for the more society-centered part of the analysis, inspired by insights from literature on trade policy preferences of societal (economic) actors, collective action and business lobbying.

The research questions for this part are: *Which levels do firms target in their lobbying on EU trade negotiations, and why? Do they lobby directly or via associations, and why?* I therefore do not focus specifically on the exact content of societal actor preferences (although actors do need to have an interest in the negotiations or there is no reason to expect lobbying), but on the strategies those actors employ and the actors at several levels they target.

1.2.1 Unit of Analysis: who does the demanding?

One main point of contention in the literature on societal preferences has been over the appropriate unit of analysis. '[W]ho are the actors who are doing the preferring? What kind of coalitions do they form? Once the appropriate level of analysis is determined, the derivation of those unit's policy preferences simply requires using the relevant economic theory to deduce who wins and who loses from open trade' (Crystal, 2003, p. 412). The so-called 'pressure group model' has attempted to delineate societal (business) preferences, more specifically, the groups who should favor and oppose protection or liberalization and the conditions under which they may be most influential. Three main approaches – based on different economic theories, lead to an identification of different units of analysis.

One approach derives political consequences from the Heckscher-Ohlin theory (and mainly the Stolper-Samuelson theorem within it), taking factors of production (land, labor, capital) as the relevant unit of analysis. When factors of production, such as labor and capital, can move freely among sectors, a change from free trade to protection will raise the income of factors that are relatively scarce in a country and lower the income of relatively abundant factors. Thus, the scarce factor will lobby in favor of protection, whereas the abundant factor will lobby in favor of trade liberalization. Firms can lobby for their offensive or defensive interests. From this redistribution of wealth it has been argued that it pits classes against one another. When studying the lobbying of such actors on free trade or protectionism, the units of analysis are thus the employers' association and trade unions.

Another approach based on the Ricardo-Viner model (a.k.a. specific factor model), assumes that factors of production are specific to a sector. Therefore, free trade will enhance sectors employing

the abundant factor of a country (export-oriented sectors) and hurt sectors utilizing the scarce factor (import-competing sectors). This model pits sectors benefitting from free trade against sectors benefitting from protection and has been widely used as a basis in societal explanations of trade policy. ‘This approach is commonly adopted in the endogenous tariff literature, which then goes on to make a variety of arguments about what other variables (e.g. labor-intensity, falling profit rates, declining market shares, low R&D spending, etc.) will determine protectionist demands as well as what variables affect the ‘supply side’ of trade policy’ (Crystal, 2003, p. 413). The main unit of analysis for political activity becomes the sector or the industry.

A third strand can be captured with the heading ‘strategic trade’ (Yoffie & Milner, 1989), where perfect competition is no longer assumed. With time passing, scholars noted that ‘corporate trade demands no longer fit into the traditional free trade versus protectionism dichotomy. Increasing numbers of multinational firms that historically supported the unilateral opening of their home market have now publicly advocated a third type of policy, which we call “strategic” trade policy; i.e., demanding trade barriers for the home market if foreign markets are protected’ (Yoffie & Milner, 1989, p. 111). These authors then explain the emergence of industry-wide strategic demands, acknowledging that this is in part dependent on the competitive strategies of firms within an industry, the degree of industry segmentation ‘critically affects the speed, intensity and substance of a given industry’s trade response’ (Yoffie & Milner, 1989, p. 112). Within-industry competition seems to play: ‘When firms in an industry follow similar competitive strategies, changes in economics are likely to be widely recognized and translated relatively quickly into strategic trade demands. However, when competition is highly fragmented into numerous “strategic groups”, the industry as a whole will react more slowly to external threats’ (Yoffie & Milner, 1989, p. 112). Other authors have consequently argued the costs of adjustment fall on a single firm, not on a whole class or sector (De Bièvre, 2002; Gilligan, 1997); and that in interest representation ‘the American system of business political power has long been one characterized by fragmentation, and many find that this is increasingly so’ (Walker & Rea, 2014, p. 285).

The purpose of this research is to study the black box of trade policy influences by focusing on two micro-dimensions. The units of analysis will be regions within the context of multilevel governance structures (part II) and firms within that setting (part III). In the end, firms are the actors that suffer or benefit directly from trade policies drawn up by government, which is why I chose them as unit of analysis for the part on societal actors. Firms can then create organizations, but these organizations will not feel the effect themselves in the same way. Different dynamics may play within the organization, and the organization can have its own interests. The organization does not necessarily fully understand what it is to produce added value and understand the challenges at the most technical level. Such policies can have the same effect on a number of firms in an industry, on a

whole industry or sector; but that is not necessarily always the case. Authors have observed that even within a single firm (most often multinationals), conflicting preferences can exist as these firms may have several implants in different countries and continents, or they may engage in a wide array of activities. Furthermore, large firms may engage in product-differentiating strategies, and be active in multiple sectors. Evolutions in one sector could affect a firm's political actions vis-à-vis another sector in which it operates. A firm generally promoting trade liberalization may not engage in a lobbying campaign to ask for more protection for operations in one specific sector. Second, small and large firms populate an industry's landscape. Firm size has regularly been used as a variable in trying to explain lobbying. Investigating industries may conceal different behavior and preferences of small and large firms in the sector. Third, Hathaway (1998) demonstrated the dynamism of industry preferences that evolve over time – together with evolutions within the industry. Firms may grow, others may disappear, and at certain points in time dynamics may entail diverging preferences for different firms in an industry. Hathaway therefore shows how interests from companies and their associations may diverge. Associations communicate interests according to the preferences of firms in the industry, albeit with a delay – or otherwise, the companies create a new association representing them (Hathaway, 1998).

A sector is not all the same as an organization representing the sector. In several instances, authors conflate the actions of sector associations as representing the interests of the whole sector. Nonetheless, several authors express concerns about this assumption (Coen, 1997; de Figueiredo & Tiller, 2001; Poletti, De Bièvre, & Hanegraaff, 2015). An association as an organization has its own dynamic and interest in surviving. For example, in the literature on interest groups in the EU, Beyers & Kerremans (2007) explain that critical resource dependencies (e.g. government subsidies) make interest groups lobby the actor that provided those resources.

These theoretical insights on different sets of actors guide me through the empirical landscape of several types of associations representing separate sets of interests. Trade unions, employer associations, sector organizations and even more specific sub-sector organizations crowd the European arena. It is useful to understand the co-existence of those types of interest aggregating associations. Firms sometimes rely on sector associations, but also on more broad associations for information and representation on trade negotiations (for example employer associations). Some firms are member of several sector organizations as they cover a broad range of activities in multiple sectors. Having these theoretical ideas in mind, may help to classify all these interest representing actors, their activities, and the linkages between them. Further, I can now identify the appropriate unit of analysis, the firm itself. As trade negotiations have become complex, and even multinational firms in themselves may have conflicting interests (see for example Crystal, 2003), only more

conflicting interests can arise at the level of associations – whether these are organized along the lines of sectors (e.g. food sector) or ‘class’ lines (e.g. employers’ association). I decided to investigate the actions of firms themselves, and to treat associations as ways to organize the obtaining of their preference. Firms remain the actors that ultimately will suffer or benefit from trade policies (whether this is easily identifiable or not). They need to adapt to new regulatory frameworks applicable to their activities, not the association that represents them.

1.2.2 What do they demand? Interests and preferences

Preference specification is notoriously difficult, yet it can be done through assumption, theoretical deduction (based on the above-mentioned economic models) or empirical observation. Pitfalls should be taken into account in the process. Theoretical deduction enables a proper indication of underlying interests and modelling of the policy process, but may ignore the complexity of positions actors take on a policy and preferences over strategies. ‘Disregarding the complexity of policy preferences ultimately inhibits efforts to understand the interaction between the global economy and domestic politics’ (Crystal, 2003, p. 408). On the other hand, empirical observation is no pick nick either, as economic interests do not provide enough information to understand which policies they seek, and do not have an interest in communicating these. Taking into account the changing and changed nature of trade negotiations, that include non-tariff barriers to trade, only renders the endeavor more hazardous. For calculating the benefits of regulatory cooperation, for example, might not be as straightforward as calculating the benefits or costs imposed by tariff barriers and alterations in those.

As mentioned in the section above, most of the literature focused on the division between demands for liberalization and for more protection of trade. Part of the answer to this debate was usually found by looking at the interests of business actors (whether these be firms, sectors or class coalitions), the intensity of those interests (or how these were experienced), and how this provides an incentive for political action. ‘In the political economy literature, the standard explanation for inefficient protectionism is that the benefits of tariffs are concentrated among producers in import-competing industries, whereas the costs are dispersed among producers in other industries and consumers; so the former did find it easier to organize collectively to influence policy to their advantage’ (Hiscock, 2001, p. 669). Or otherwise stated, the cost from not obtaining the tariff would be high and extremely concentrated upon a (small) group of producers, whereas the benefits from free trade would be dispersed and not noticeable.

After explaining why protectionist policies remained, authors in the field noted that not only protectionist policies existed (a critique which has also been used by the adherents of a state-centered approach). The insights gained could not explain certain evolutions in (EU) trade policy towards liberalization from 1980 onwards (Milner, 1999). As mentioned, state-centered scholars suggested the answer lies in the way the EU was created, in a way that insulated decision-makers from societal interests. In the society-centered strand, arguments ensued on how other interests (exporters and importers) have formed and mobilized countering the demand for protection (Dür, 2010; Eckhardt, 2011), that pushing for liberalization in order to reap highly concentrated benefits could be the only option for survival (Woll, 2008) or that bilateral liberalization engenders those highly concentrated gains, while simultaneously securing a new market from foreign competitors (Manger, 2009).

Interestingly, Hathaway argued that changes may occur in societal demand for protection, contrary to the assumption that economic actors have static preferences. She contributed with the insight that trade liberalization tends to reduce, rather than increase, industry demand for protection. She demonstrates ‘how the characteristics of industries affect their demand for protection and how, in turn, trade policy transforms industry characteristics’ (1998, p. 576). ‘As industries have become increasingly global and government intervention more pervasive, corporate trade demands have moved away from the standard poles of free trade and protectionism towards a more complex response which we called strategic trade policy’ (Yoffie & Milner, 1989, p. 126).

One part of trade policy currently receiving a lot of attention are Free Trade Agreements, the empirical background for this dissertation (see section 4 in this chapter). As for the literature focusing on the negotiations of Free Trade Agreements, Grossman & Helpman (2002) found that the assent of two negotiating governments is most likely when there is relative balance in the potential trade between the partner countries and when the agreement affords ‘enhanced protection’ instead of reduced protection to most sectors. With enhanced protection, an exporting industry captures the benefits of the high domestic prices in the partner country. With reduced protection, an import-competing industry sees its domestic price fall as a result of the duty-free imports from the partner.

Manger (2009) beautifully explains why firms lobby for Preferential Trade Agreements between North and South. Protectionist measures form barriers for firms to enter into new markets (or to stay there). These impose costs and force firms to allocate their resources differently than they would in the absence of any measure. Multinational firms therefore make considerable efforts to lobby both home and host governments to reduce these trade barriers. The reason why they lobby for preferential agreements has two reasons. The first reason relates to firms’ investing in emerging markets (Foreign Direct Investment – FDI) in order to obtain the benefits from different factor

endowments (vertical integration) and/or the opening of new markets. Second, bilateral preferential trade agreements can make sure that (rival) companies from countries not party to the agreement do not reap this benefit of reduced trade barriers – hence cannot become competitors in that market. Afterwards, the reaction by those disadvantaged competitors will cause the other governments to start negotiating a PTA as well to restore the damage. This second ‘domino-effect’ type of reasoning is also known as Dür’s (2010) protection for exporters argument: exporters from countries excluded from an agreement (and potentially suffering from a loss of market access) will mobilize so that their government will also conclude one. Dür employs the framing of cost, often found in the explanations of protectionist policies. Tovar (2009), following insights from cognitive psychologists (such as Kahneman & Tversky), found evidence of loss aversion in lobby formation. An industry is more likely to become organized if it experiences a loss, the evidence of loss aversion allows ‘to explain why “loser” industries get most of the protection’ (Tovar, 2009, p. 163). The idea of ‘cost’, embedded in the traditional explanations, closely relates to the ‘experience of losses’ idea from cognitivism, which is probably why few authors explicitly continued on this cognitivist path to explain trade policy. Further, as Levy (1997) mentions, prospect theory approaches bear promise for studying international relations, although they have not been devised so carefully as rational choice approaches up to date. Specifically, as both approaches start from the individual, scholars need to carefully adapt them to fit the collective. Rational choice has been much more developed in this endeavor than cognitivist approaches. Although I see much promise in cognitivist approaches, this dissertation remains mainly guided by (bounded) rational actors.

Another type of alternative approach to the ones mentioned above adheres to a different, constructivist paradigm. Woll and Siles-Brügge apply constructivist explanations to trade policy outcomes. Woll (2008) describes how it took one company from the financial services sector having troubles with its international operations to look for a solution in policy, and that then started lobbying for the introduction of a chapter on services in the WTO-negotiations – which formed the basis for the General Agreement on Tariffs in Services. Afterwards, the governments were the ones who incentivized the private (services) sector to lobby in order to obtain information – or they would otherwise simply decide without their input. But it may also be clear that an FTA here had both the function of liberalizing trade, and protecting from competitors in other countries. What we learn from here is the reasoning behind the first financial services firm’s decision to start lobbying for an FTA. Siles-Brügge, following Manger, argues that firms lobby for free trade arrangements (instead of a multilateral liberalization), because preferential access would enable them to benefit from ‘first-mover’ advantages (Siles-Brügge, 2013).

The second part of this dissertation will not focus specifically on the preferences of societal actors, yet on to whom preferences are communicated and whether this is done directly or through associations. The literature has often gone quickly through the specification of preferences, according to (Crystal, 2003), and moved on to examining the strategies and/or outcomes. Firstly, determining economic actors' interests or preferences is notoriously difficult, as many times scholars conflate the underlying preferences of those actors over outcomes with the preference over action, otherwise named 'policy preference' (Crystal, 2003), or in my case 'policy position'. Secondly, trade policy and international trade negotiations no longer solely include measures that have distributive effects, such as tariffs. Currently, important topics in those negotiations contain regulatory agendas, making it more difficult to disentangle winners and losers and to estimate how much benefits or losses will be incurred by economic actors. The real-life debate on whether the Transatlantic Trade and Investment Partnership will bring benefits to the economy, and how much provides an example of that difficulty. But even without knowing the specific preferences over action (policy positions) or even underlying preferences, economic actors should have strong preferences enough before they mobilize or engage in lobbying, there needs to be an incentive for them to lobby.

1.2.3 How do they demand it? Organizing and obtaining the demand

By asking about the organization and strategies, the work on firm lobbying and collective action comes into the picture. The transition is made from explaining trade policy outcomes or economic actors' preferences to explaining how these actors anticipate by voicing their preferences, to explaining how interest representation occurs, whether actors go at it alone or in groups (this time not aiming at the most useful point of analysis but at when and why actors cooperate). The literature mentioned above has regularly been used in combination with (insights from) Olson's collective action theory. Although the main question is to explain the organization of groups and why or how they organize collectively, and I will be attempting to explain why firms engage in direct lobbying or work through an association (i.e. not why they would create an association), it is impossible to move on without paying a minimum amount of attention to it. The logic of groups developed by Olson may to a certain extent hold even when a standing organization already exists. Two recurrent variables that figure in the IPE literature on mobilization of firms (on trade policy), but also in the literature on collective action and on firm lobbying, are 'market structure' or 'group size' (in both cases usually measured by concentration of a sector) and firm size. There have been mixed findings on whether concentration affects interest representation or not. The variable firm size too has produced contradictory results (see for example Grier, Munger, & Roberts, 1994; Schuler, Rehbein, & Cramer,

2002; Zardkoohi, 1988). Bernhagen & Mitchell (2009, p. 159) aim at discovering which factors prompt firms to become politically active at the level of the EU. They start from the point of view that firms enter the political arena primarily to obtain benefits derived from policy makers' use of incentives and coercive powers. The authors argue that Grier et al's (1994) theory travels in a modified version. They argue that firm size, government involvement and a firm's operations, the degree of industry concentration, the absence of a member state patron, that patron's institutional power, and the strength of countervailing interests are influential to firm lobbying at the EU-level. Although these authors mention that 'the significant negative effect of national associations on direct firm lobbying suggests a logic of replacement, according to which firms compensate for weak associational representation along national lines by more direct political action', other authors observed that the associational route served as a complementary route (see for example Hansen, Neil, Mitchell & Droepe 2004).

De Figueiredo and Tiller (2001), examining the amount and organization of lobbying by firms in administrative agencies (at the US Federal communications Commission), find that large firms behave in ways largely consistent with theoretical predictions, however, small firm lobbying does not follow those patterns. Why not? According to the authors, 'small firms seem to face a lobby-don't lobby decision, while large firms choose both the organization and amount of their lobbying effort when they do lobby' (de Figueiredo & Tiller, 2001, p. 119). Taking into account Austen-Smith & Wright (1994) arguing that several levels of government can be an answer to create more engagement with society, namely by lowering the level of decision-making (federalize). In the second part of the dissertation, I will therefore develop and test the hypothesis that smaller firms may lobby at a lower level of government (than the one that is necessarily the most interesting one for trade policy and hence remaining under the radar of many studies) and may be inclined to target that same level for all their issues.

Schuler, Rehbein, & Cramer (2002) demonstrate that politically active firms in the US combine tactics in their pursuit of strategic advantage through political means. Several characteristics drive firms to combine three possible tactics (political contributions, using staff lobbyists and hiring outside lobbyists), more specifically, these are industry concentration and firm size, political activism, institutional features of Congress, and government contracts. The authors conclude that firms and other interest groups have tremendous incentives to combine lobbying and campaign funding activities to gain access. If US firms combine several tactics to increase their chances of obtaining access and success, then EU firms may face similar incentives. I wonder whether this means they would be inclined not only to combine several tactics, but also to combine the targeting of several actors (for example, several levels of governance). Hansen, Neil, Mitchell &

Drope (2004), questioning what explains the choice of firms of political activity or inactivity, note ‘research shows that there are a substantial number of firms that do not engage in political activity, even among the largest US firms that constitute the Fortune 500.’ (p 421) They find the political inactivity of large firms surprising, as government resources and coercive powers generate important incentives for business political participation. The authors conclude that the largest corporations are more thoroughly politicized than previously thought, and that just over one fifth is inactive. The models suggest those are likely to be smaller, less exposed to government regulation, less visible, less targeted by other interests and more likely foreign owned. They do find that resources of the firm (measured by revenue) and government regulation increase the likelihood of political activity.

Coen (1997) argued that with the increased direct participation of firms on the European scene, and the restructuring of membership in European federations (allowing direct firm membership alongside national member associations), ended up ‘marginalizing the small and medium enterprises (SMEs) and certain nations in the policy process’ (p. 97). In a similar vein, De Figueiredo & Tiller (2001) mentions that future research could be targeted at the ‘lack of understanding of the nature and governance structure of associations where small) and large firm interests are both represented’ (p. 119). Poletti, De Bièvre, & Hanegraaff (2015) argue that associations serve as a vessel of special interests, but attribute this to the institutional changes in international dispute settlement with the creation of World Trade Organization – whereas Coen (1997) attributes the membership changes in EU associations to the changes in formal powers of the EU Commission and the way the Commission structures its receptiveness to firm and business interests.

Downsides are not uncommon to these types of society-centered approaches. Firstly, they do not explain trade policy outcomes. Trade politics will be characterized by conflict between the winners and losers from international trade, and a society-centered approach tells us who these will be. It does not help us explain which of these groups will win the political battle. Presumably, a country’s trade policy will embody the preferences of society’s most powerful interests. To explain trade policy outcomes, therefore, we need to be able to evaluate the relative power of the competing groups. Oatley aptly remarks that ‘[t]he temptation is to look at trade policy outcomes and deduce that the most powerful groups are those whose preferences are reflected in this policy. Yet, looking at outcomes renders this approach tautological; we assume that the preferences of powerful groups are embodied in trade policy and then infer the power of individual groups from the content of trade policy’. (p. 86) Thus the society-centered approach is better at explaining why trade politics are characterized by competition, and which organized interests outperform other groups in this competition for influence, than at informing us on when and why this competition exists. What

happens when certain (latent) groups do not mobilize at all? The approach has no explanation for policy-making in the absence of input from interest groups (Adriaensen, 2014; Duchesne & Morin, 2013). Furthermore, the approach assumes that politicians have no independent trade policy objectives and play no autonomous role in trade politics. Seeing politicians as passive recorders of interest group pressures may be misleading. Politicians actively attempt to shape the configuration of interest group pressures that they face (see for example Woll, 2008, 2009). They can, for example, attempt to mobilize latent interest groups with a preference for liberalization or protection by helping them overcome their collective action problem. Lastly, the society-centered approach does not account for non-material self-interest motives of actors in trade politics (for understandable reasons). Other societal interest groups (consumer organizations, NGOs, etc.) attempt to influence trade policy and increasingly so (Duchesne & Morin, 2013; Oatley, 2010). Public opinion can even act as a restraint on business influence over trade policy (see for example Dür and Mateo 2014).

2. Exploring multi-level institutional relations and interest representation

After having assessed the literature, both on public authorities' incentives in trade policy monitoring and firm's motivations to do so, I will now assemble the pieces lying on the table that constitute the building blocks of this dissertation. The first part of this dissertation will delve further into the institutional structure of public authorities, and how coordination between several types of hierarchically related actors plays a role in trade policy. The principal-agent framework serves well as a heuristic tool, yet some shortcomings have to be corrected for. When information and preferences from other administrative entities in the government as well as from the private sector provide the decision-makers with the required information, a well-informed position is most likely. The second part will, consecutively, focus on societal actors and look at to whom and how they communicate their preferences on trade policy, and why. Hereby, this research will contribute to our understanding of the level at which decision-makers and economic actors interact and have the information to make well informed positions on EU trade policy.

Shedding light on both the role of public authorities as well as the input of private actors is the best strategy to answer the research question central in this dissertation, and to see at which levels informed positions on trade negotiations are formed. Arguments used in favor of the state-centered view have been based on diverging empirical observations. Some mention that so much lobbying is going on and that decision-makers (mainly the European Commission) receive input from

various sides, so that these do not know whom to listen to or that they can choose to which interests they listen – this openness is merely to increase legitimacy but not to cede any control (Woolcock 2005). Others on the contrary, argue that decision-making takes place in the absence of information from business actors, as public actors often have to act and react to the newest developments in negotiations without being knowledgeable about economic preferences on the matter at stake (Adriaensen, 2014; Duchesne & Morin, 2013). Even though Woolcock is looking at the European level of governance, while Adriaensen's study focuses on national trade administrations, these findings prompt further investigation. One possible explanation, for why these different conclusions have been drawn, could lie in the fact that certain sectors are actively lobbying on EU trade policy, while others not. The literature has investigated this, for example, by arguing that highly consolidated sectors facing concentrated losses (or highly concentrated gains) are more likely to mobilize on trade policy (see for example (De Bièvre & Dür, 2005). Another reason could be that certain levels of government are being contacted frequently while others not. This gap in the literature is one I intend to address. A third explanation could be the fact that certain levels of governance communicate their interests on trade policy, while others do not. And, that entrepreneurial role of governmental actors in incentivizing lobbying affects this (Hathaway, 1998; Mahoney, 2007; Nelson, 1988; Woll, 2008, 2009).

As mentioned, Woll & Artigas (2007) noticed that the real locus of control over decision-making is where actors obtain both types of information needed, and that, for regulatory lobbying (in contrast to pressure lobbying on tariffs), they closely cooperate. In our case, this is information about the evolution of international negotiations, thus information on the state actor's behavior; and information about the interests and preferences of the societal actors involved (business most importantly). As Adriaensen concludes on the amount of control a member state can exert: 'the relation between state and society appeared to be a critical success factor. The amount and quality of input obtained from societal organizations explains the propensity by which a member state will signal their interests [to the EU Commission]'. This leads me to expect governments to intervene in the economy to promote specific outcomes, but often such policies are consistent with and shaped by the interest of the coalition of societal groups upon which the government's power rests. By combining the dynamics highlighted by the society-centered approach with the rich institutional environment emphasized by the state-centered approach (political institutions), we may begin to think about the conditions under which public officials have the capacity for action and about the ends to which such officials will direct their energies.

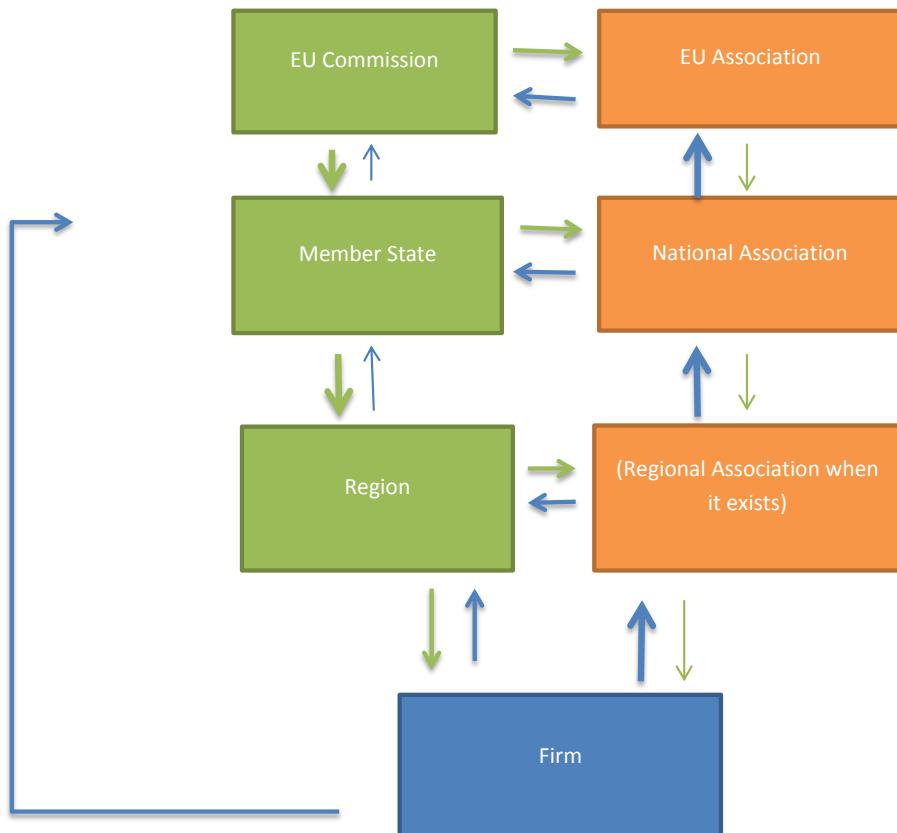
In a similar manner, but on the division between state and market, Bernhagen (2003) and Sbragia (2000), argue that the state and the market are constitutive on each other. [...] Rather than treating the identifiable institutional/ organizational structures of the state as a separate

phenomenon external to the dynamics of the market, we might be better off thinking of markets as being structured by ‘multiple sovereignties’, where some of these sovereignties are government regulatory or policy-making agencies, while others are firms that avail themselves of jurisdiction over their internal domain, as well as of the rights and obligations flowing from their capacity to enter into legal contracts of different kinds’ (Bernhagen 2003). These authors argue that the state and the market are not fully separated, yet form two interdependent and constitutive pillars of a ‘state-market condominium’. Even though I do not strictly look at the way in which markets are formed (or built), their argument builds on the same idea of interrelatedness between public and private actors. In the words of Woll and Artigas (2007), the way the state is organized, influences the way societal actors mobilize; also the crucial information of the societal actors has an impact on the state’s way of accommodating their interests. The state cannot formulate trade preferences on very technic, specific issues without enough information from business interest, and societal actors cannot provide input when they are unknowledgeable of the occurring negotiation context. Therefore, exploring both types of actors and identifying at which levels they engage in exchanges of information and why this takes place at those levels, provides important insights into the way trade negotiations are decided. In the last part of this dissertation, I will engage in a more thorough discussion on all the insights gained in both parts, on the bigger picture of interaction between both actors, and on why certain actors at certain levels are able to make well-informed positions in trade negotiations.

This interdependency has been observed in the context of the European Union. Coen (1997) noted the European Commission’s acknowledgement that with the Single European Act, it ‘did not have the resources to deal with the expansion of legislation without the active participation of knowledgeable actors’ (Coen, 1997, p. 94). The basic idea that actors involved seem to have is that ‘optimal’ policy can only be made when decision-makers possess, are able to understand, analyze, and to connect two types of information. The public and private actors are interdependent for policy-making because they are the source of two different types of information, which are both needed to define a policy position and come to optimal policy. The first type of information is top-down information on international trade negotiations: one needs knowledge about the topics, how they evolve, other stakeholders’ positions and views, and so on. As in the case of EU trade negotiations, this information is primarily in hands of the EU Commission, it then trickles down to, on the public side of the spectrum of actors, the member states and further down to regional authorities. On the private side, the information gets dispersed to EU associations, to national associations and then to firms. Now, an actor cannot determine its position on trade policy, when it is knowledgeable on trade negotiations only. A second type of information is needed, that is, information on her internal interests. These are the, in this case economic, interests of domestic actors. Here, firms are the

privileged owners of this information, as they are the ones creating value, producing goods and/or services, and engaging with markets abroad whether by exporting, importing, investing abroad, ... As this information comes from firms' experiences and preferences, this information should get aggregated in its way up to decision-makers and negotiators. Therefore, the flow of the information on economic preferences is called the bottom up stream of information. It starts at companies, the privileged possessors of this information, and can then get aggregated upwards to the sector or business association at the regional level, the national level, up to peak associations at the EU-level. One would expect business to communicate this to governments. One could expect certain firms to communicate this to the lower, regional or national level and that the information then goes up to the EU commission; while other firms may target the EU-level directly (see part two for the precise elaboration of hypotheses). Figure 1 depicts the actors mentioned and the flows of information one could expect between those actors.

Figure 1: Potential flows of information between domestic public and private actors on trade negotiations



At the end of the dissertation, I will thus discuss how these communication flows occur between several levels of private and public actors and whether this more general view holds; or why certain thresholds may withhold actors from being able to engage in contributing optimally to trade negotiations. The part on public authorities will unpack the green boxes in the picture, with a specific focus on the role of regions. The second part on private actors, will address the blue and orange boxes in the picture, by looking at where firms lobby. In the next paragraph, I will first discuss which trade negotiations were chosen for the analysis, after which I will move on to the first part on regions.

3. Background: The selection of international agreements

Empirically, I plan to investigate how regions coordinate and firms lobby on the negotiations of Free Trade Agreements (FTA), and plan to test my theoretical propositions in both parts against the background of decision-making on these negotiations. The conclusion of Free Trade Agreements is becoming a common practice on the international trade scene. Furthermore, EU-member states acknowledge the importance of trading outside the Eurozone. When commitments are made in international trade agreements, these affect each member state, but also each region in the EU, as they will all have to implement the provisions. It is a possibility that a region has a different interest than the aggregated interest of the member state as a whole. For example, a region with strong growth may want to open up new markets, whereas the rest of the more rural regions may prefer protection. Therefore, this is an interesting subject, as the negotiations of these agreements are important moments, after which the result will have a big and long-lasting impact. Representing one's interests is therefore important, but for stakeholders extremely difficult, as they need to cope with these levels.

I opted for the free trade agreement negotiations between the EU and the US, Japan, Canada and South Korea. The US FTA seems particularly interesting because of the service sector interests. Furthermore, the negotiations are still in the early stages of the whole process, of which little is known up until now. The current negotiations with Canada, on the contrary, are situated in the final stages before conclusion. Japan, in comparison to similar countries, is regarded as a fairly closed economy, even though Japanese policy related trade barriers do not appear to be significantly higher. Cultural values, consumer preferences, traditional supplier ties and other aspects seem to account for this conundrum. The FTA with South-Korea has been concluded, providing us with a proper coverage of the different stages in FTA negotiations.

PART II

Regions:

principals endorsers or

transceivers?

The European Union conducts its external economic policies towards third (non-EU) countries under close scrutiny from its member states. But what happens when we add regions² to the picture? This is pertinent for two important and distinct reasons. For one, EU member states have consistently expanded EU competencies on external economic relations, particularly with regard to trade and investment policy. Second, some regional authorities within EU member states may have considerable economic and political stakes in decision-making with regard to EU foreign economic policies, and have extended their range of competencies to also encompass EU decision-making in this area. Especially European regions that have called for a larger say in domestic politics, have acquired formal decision making powers, or have consistently demanded greater powers, whether framed in terms of federalization, devolution, separatism, or political autonomy, as has been the case in –among others – Flanders, Scotland, and German Länder. An analysis of European multilevel politics in the field of EU policies in general, and the important policy field of EU external economic policies in particular, has to come to terms with these changing demands of European regions.

In this part of the dissertation, I apply a principal-agent (PA) framework to explore the question: *what explains differences and similarities in the extent to which regional authorities exert control over EU trade negotiations?*

I introduce an adaptation of the framework to include regional actors in a ‘chain of delegation’, as I expect that their position affects their ability to compensate for the information asymmetry and agency losses that arise when policy-making involves different levels of government. I argue that regions can be conceived of as either principals – when they have competencies over a policy field – or as ‘transceivers’ – when they find themselves in a position analogous to the one of domestic interest groups who, as outsiders, have to rely on pressure politics to affect decision-making. Then, I first of all check whether regions perform the roles of either principal or transceiver, and hypothesize that their role influences their capacity to control the agent, in casu the European Commission.

I first identify the chain of delegation in EU trade policy making, include regions as actors in the framework, and describe the control mechanisms. Next, I introduce two types of roles regions can perform as the main variable that I expect is key to explain the extent to which regions are able to exert control over the conduct of the EU’s external trade policies. I then turn to the cases of

² We use the term regions to refer to ‘micro-regions’ (‘sub-national’ or ‘sub-state’ entities – below the nation-state), these are territorial areas that are smaller than the state to which they belong (e.g. Flanders, North Rhine-Westphalia, Catalonia...). This term is opposed to ‘macro-regions’ (supra-national and thus above the nation-state), which are large territorial units comprising different states (for example the EU, Mercosur...). (based on Rowe, 2011, p. 215; Van den Brande, 2008, p. 10)

Flanders, Hesse, and Scotland to see how these expectations are borne out in those cases. In the conclusion, I critically examine whether regions are keeping up appearances rather than exerting control, and identify implications for further research.

3. Research Design

To investigate the way regional authorities try to represent their interests in EU decision-making on external economic policy, principal-agent (PA) analysis offers a most useful tool to systematically map the elements that affect control in a situation of delegation, as it allows to simplify and analyze the hierarchical relationships between several actors. PA starts from the idea that when a principal delegates tasks to an agent who acts on behalf of the principal, or when multiple principals agree to delegate to one agent, problems of ‘agency losses’ may arise (Mitnick, 1973; Ross, 1973). Agency losses arise in case principals are unable to act against an agent that is either not (fully) pursuing their interests, or that even violates these (Hawkins, Lake, Nielson, & Tierney, 2006; Kerremans, 2006; Pollack, 1997a, 1997b). The principal, however, is not helpless in the face of these agency advantages, and can adopt various procedures to limit the scope of agency activity, or to reduce the risk of losses³ (McCubbins, Noll, & Weingast, 1987a; McCubbins & Schwartz, 1984; Pollack, 2003). One key reason for agency losses is an asymmetrical distribution of information, where the agent is likely to have an informational advantage. When member states grant the European Commission a mandate to negotiate a trade agreement, whether a multilateral one in the World Trade Organization (WTO) or a bilateral one in the form of a so-called Free Trade Agreement (FTA), the Commission as agent is directly informed about the preferences and positions of the (non-European) partner country, whereas the member states (and by extension, regions) as principals are not. This is so because the Commission negotiators conduct the international negotiations, whereas principals do not. This may make evaluation and control of the agent’s work difficult. The agent’s involvement in these negotiations, where the other party (i.e. the non-EU partner country) aims to convince her to adapt her position, also increases the need for control, as it can require the agent to test the limits of what is going to be acceptable for its principals. Principals are thus motivated to know about the agent’s (and thus the Commission’s) activities, in order to remedy possibly harmful concessions that the latter makes (De Bièvre & Dür, 2005).

Whereas empirical research has paid considerable attention to the question of delegation and control by EU member states (see for example Da Conceicao, 2010; Damro, 2007; T. Delreux, 2011; Tom Delreux & Kerremans, 2010; Dür & Elsig, 2011; Elsig, 2007b; Franchino, 2007; Kerremans,

³ When an agent intentionally pursues his own interests, and not the ones of the principal, this is called shirking. When the agent unintentionally deviates from the principal’s preferences, due to structural incentives, this is termed slippage. (Pollack, 1997)

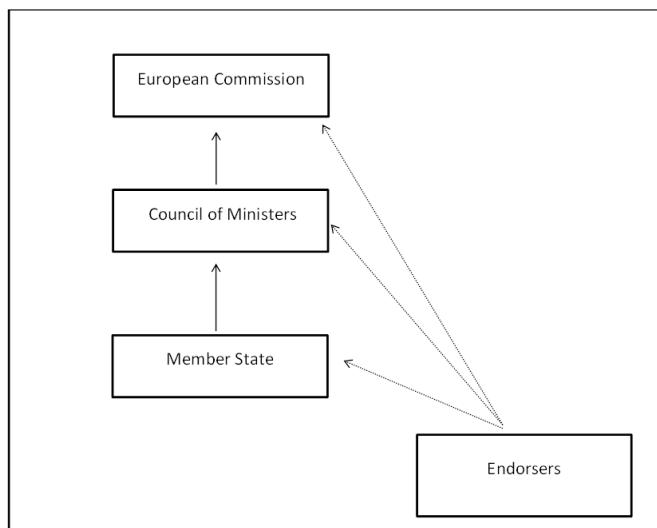
2006; Pollack, 1997a, 1997b, 2003; Tallberg, 2002), regions *within* these countries may have good reasons to engage in monitoring and control too, specifically in EU trade policy. Regions may be curious to follow the negotiations for the very same reasons that member state governments do, and on top of that, to find out what their own member state governments are defending in the Council of Ministers. However, they may suffer even more from information asymmetry than their member state governments do, and face greater difficulties to correct it. They may have to rely on their member state government's efforts to control the Commission, and on the preparedness of such government to channel information to them. As such, if regions want to control the Commission, they will have to be able to control their member state and/or find other ways to reduce the information asymmetries that stem from their remoteness from the external negotiations. Regions may vary in their capacity to do so. Identifying different roles of regions in a chain of delegation may help us in grasping this variation.

1. Analytical framework

1.1 The chain of delegation and of control

When applying PA analysis to EU trade policy, EU member states can be conceptualized as principals that delegate authority, e.g. a negotiation mandate, to the European Commission as their agent. The latter is thus the ultimate agent in a chain of delegation. A chain ‘comprises several hierarchically organized PA relationships’ (see figure 2). All actors at intermediate levels fulfil the roles of principal and agent simultaneously. Societal interests and firms with a potential stake in this policy field of course have no formal decision-making authority in democratic political systems, meaning they do not act as principals, but can be best qualified as ‘endorsers’ as they can ‘alert political actors to the consequences of various policies’ (Milner, 1997, p. 60) and ‘declare one’s (public) approval or support of’ (Oxford Dictionaries, 2012). They are thus ‘signalers’ by providing interest-driven knowledge by which they can exert pressure on political actors and shape the latter’s choices.

Fig. 2: The chain of delegation

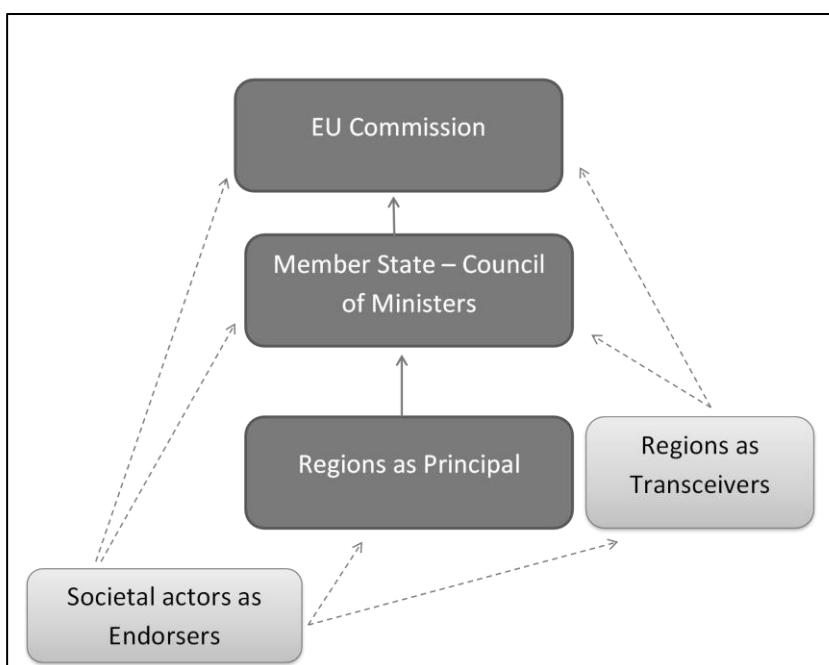


Source: Author's adaptation from Dür & Elsig (2011).

1.2 When we add regions to the picture

Regions were traditionally excluded from PA models to analyze EU external relations, particularly when the latter focused on the interaction between states and international organizations. Their position varies according to region and to member state. A European region can perform two roles. It can be conceived of as either acting as a ‘principal’ – a region with a contractual link to the agent –, or as a ‘transceiver’ – a receiver and transmitter of politically relevant information about support or the lack thereof (see figure 3).

Fig. 3: Chain of control with regions as principal and transceiver⁴



Source: Authors' compilation.

A) A region as principal

A region with constitutional competencies enjoys the role of principal in the chain of delegation in case such competencies necessitate its approval of the ultimate outcome, the trade agreement.

⁴ Voters can be conceived of as ‘ultimate principals’. By leaving out voters and parliaments, we are well aware that we drastically simplify the policy process. For analytical purposes however, such a political-economy assumption can be useful, as the collective organization and lobbying of economic sectors can be taken to influence the government’s positions (De Bièvre & Dür, 2005; Poletti, 2011).

Even if such a region may be conceived as principal, it remains atypical in comparison with a member state government as principal. Before the European Commission can start negotiating an FTA with a non-European country, it needs an official authorization from the Council, an institution where regions are not represented directly. In some cases however, like for the Belgian regions, a region can sit in the Council of Ministers, but then only in its capacity of representative of the EU member state, and not as a representative its own regional government's position.

B) A region as 'transceiver'

A Region does not necessarily need to have constitutional competencies in order to have a place in the chain of delegation however. It may also perform the role of 'transceiver', as it can both receive and transmit information. Regional authorities may receive information from endorsers, check this information's pertinence across and against the whole region's interests as well as against regional legislation, decide on a position, and transmit this position and information to its member state principal and/or agent. In this way, it may have a more informal role⁵ - somewhat akin to that of an endorser - as it may have an interest and ability to exert control over policy fields in which they do not have formal competencies. What is particularly distinct about the transceiver is that regions can be principals for certain policy fields where they do have competencies and therefore have certain channels available that they can also try to use even when they do not have competencies on a specific policy field – i.e. when they are in the position of transceiver. A transceiver can therefore try to use a broader array of channels than endorsers by 'coloring outside the lines of its formal competencies' to broaden its capacity to exert control. For example, a region with competencies in a country, can also utter concerns during intra-state coordination on issues that do not strictly fall under those competencies, or can use the information in direct communication with the ultimate agent.

⁵ We opt for the more specific terminology of transceiver, whereas much of the existing literature uses the more generic terminology of 'regional mobilization', which includes all forms of sub-state activity on Europe and reaches out beyond the nation-state' (Rowe, 2011:3) or as the use of an 'extra-state channel' (Van den Brande, 2008) to denote the function of regions or their regional liaison offices

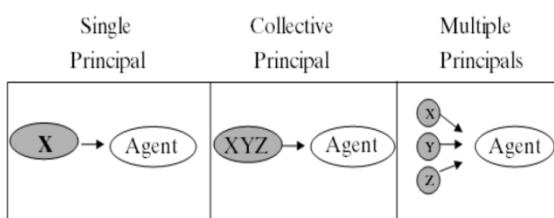
1.3 Regions as collective or multiple principals

Regions are of course never alone in their country. They co-exist with others. This may have a significant impact on the relations that regions can establish with the EU-agent. Tierney's distinction (Tierney, 2008) among three types of P-A relationships is particularly helpful here (see figure 4). There is first the relationship between a single agent and a single principal. Here, the agent needs to pay attention to that principal's interests in preventing and eventually sanctioning agency losses.

A second possibility is the one of a single agent that has to deal with multiple principals. In that case, each of the latter is able to sanction the agent irrespective of what the others do. Consequently, the agent needs to pay attention to each and every of these principals' interest in preventing and eventually sanctioning agency losses.

A third possibility is the one of a single agent that has to deal with one single principal that can only act as a collective. Such a collective principal contains different actors that together decide how the principal will act vis-à-vis the agent. What each actor within such a principal can undertake vis-à-vis the agent depends on both the decision-making rules that apply to the actors collectively, and the interests of each of them to prevent or eventually sanction agency losses.

Fig. 4: Types of agency relationships



Source: Tierney 2008

The concepts of multiple and collective principals help to differentiate among regions with respect to their relations with the EU-agent. Some may depend on others for the control that they can possibly exert on the agent. Others may have the tools to do so directly and independently from others. The following expectation ensues:

Expectation 1: Regions act either as transceiver, collective principal or one of multiple principals.

When a region has no formal competencies over a topic, it can only act as a *transceiver*. When a region holds such competencies however, it can act as *part of a collective principal* together with the other regions of its country. When a region's ratification of an agreement is required and it can thus – at least formally – veto it, and thus perform the role of *one of the multiple principals*.

1.4 Control mechanisms⁶

Principals can deal with the problems of slippage and shirking, and reduce information asymmetries by engaging in activities to control the agent. Control can take several forms. It can refer to the authorization of the agent and the instructions granted by the principals to the negotiating agent, i.e. the negotiation mandate for the European Commission. Principals can influence the agent's behavior through the application of (positive and negative) sanctions. Among the array of sanctions at the disposal of principals are budgetary control, control over appointments, and power to override agency behavior through new legislation and to revise the administrative procedures laid down in the agent's mandate. With respect to these oversight procedures, the literature distinguishes between "police-patrol" and "fire-alarm" mechanisms. When principals actively monitor the agent's behavior, trying to detect and remedy any violations by the agent, discouraging the agent to depart from its mandate or its principals' wishes, this is called police-patrol monitoring. The 'fire-alarm' oversight mechanism requires less direct centralized involvement by the principals. McCubbins & Schwartz (1984) introduced the term referring to 'a system of rules, procedures, and informal practices that enable individual citizens and organized interest groups to examine administrative decisions' (p. 166). When fire-alarm mechanisms are installed, firms and interest groups can get access to information and to decision-making processes. They can challenge administrative decisions before agencies and courts, help bring alleged violations of the agent to the principals' attention, or facilitate collective action by disorganized interest groups. The principals rely

⁶ This section is based on (McCubbins & Schwartz, 1984; Pollack, 2003, 2007).

on third parties to monitor agency activity, which means that the information received will be brought from their perspective. The downside is that fire-alarm mechanisms inherently create a bias in favor of alert or well-organized groups. On the bright side, these mechanisms bring the double advantage of focusing on violations of importance to economic and other actors that directly benefit or suffer from certain policies, and of externalizing the costs of monitoring to third parties.

Principals also have the ability to reject the agreement negotiated by the agent with a third country, but non-ratification is a very unlikely and costly action, as it may entail severe consequences for all the actors involved. Principals therefore may refrain from this, and prefer to prevent a situation where non-ratification would be necessary by means of police-patrol monitoring, which can be accompanied by a fire-alarm approach. Member states can (try to) attend international negotiations making it possible to observe and monitor the negotiation behavior of the agent, or of member states meeting frequently with the agent during the course of the negotiations through weekly meetings in the Trade Policy Committee of the Council of Ministers.

For a reliable fire-alarm system to work for regions the sector needs to be important for the region, and the region needs to be important for the sector. When this is the case, the sector representatives have an interest in passing as much information as possible to the regional government. This is further elaborated in the next section, section 1.5.

As I am focusing on the matter of control, and not of delegation, I am not going to look at the so-called ex ante control mechanism whereby the legal instruments and procedures are defined by the principals. The scope of agency activity is partially included in the EU Treaties, namely the division of competences between the member states and the EU Commission are clearly defined. In each discrete delegation of negotiating authority, however, member states have to give a formal mandate to the EU Commission to start negotiating an FTA with a non-EU country. This mandate defines the scope of agency activity (i.e. the matters on which the Commission can negotiate are determined in the mandate). Furthermore, I will focus on the monitoring of negotiations by regional authorities. Apart from the negotiation mandate, this phase - where actors can still influence the course of negotiations in order to exert control over the final outcome in the FTA texts - seems to be of uttermost importance to member state (and regional) authorities.

The formal role a region occupies may well determine a region's ability to control. When regions are immediate principals, they may have access to formalized channels to get information on the agent's actions and to articulate their preferences. There can be formal requirements for instance, for a member state to inform and debrief its regions on the state of the negotiations, which allows

the latter to accurately assess agent behavior. But regions may also enjoy the formal right to attend the formal sessions in which the Commission informs the member states about the negotiations. Such right further reduces the information asymmetry to which the regions may be exposed during trade negotiations. They are likely to be able to exert more control than when they are transceivers, and have to obtain information and articulate their preferences by informal means. So, even if a transceiver can try to extend its monitoring, knowledge and capacity to control by trying to fish for information in coordination meetings on other policy fields where it does have competences (which an endorser cannot do), the level and quality of information will not be equal as in a case where the region is a principal and has a formally recognized role in formal coordination mechanisms with respect to the specific policy field. Therefore, I hypothesize:

Hypothesis: The stronger the region's formal role within its member state's decision-making procedures, the higher its capacity to exert control.

When a region has a strong formal role, up to the requirement that it needs to ratify an agreement, it is one of multiple principals, and can be expected to have a high ability to exert control. When part of a collective principal, the ability to control is lower, as it has to co-decide with other regions first. When it has no formal position, and acts as transceiver, its capacity to exert control is likely to be low. We can thus specify following hypotheses:

Hypothesis 1a: A region acting as one of multiple principals, has a high capacity to exert control over the negotiating agent.

Hypothesis 1b: A region acting as part of a collective principal, has a medium capacity to exert control over the negotiating agent.

Hypothesis 1c: A region acting as transceiver, has a low capacity to exert control over the negotiating agent.

1.5 The use of the fire-alarm

In addition to the police-patrol mechanism of control, regions can simultaneously install a fire-alarm mechanism. A principal can rely on interested parties that monitor the agent's behavior and contact the principal in case it does not act in line with their preferences. For the principal, this mechanism externalizes the costs, while it at the same time highlights issues important to their political constituency. When certain topics arise on the international agenda, the member states are

forced to take a position on it. The government may need information from the private sector so that it can defend its interests. A government can thus install a fire-alarm, and signal its openness to lobbying from firms.

Before I can draw up a credible and well-informed hypothesis on whether installing a good fire-alarm mechanism, and facilitating the use of it, works, I need to know more about firms' motivations to pull such an alarm. As of course, having one installed is still no guarantee that firms will actually pull the alarm. The question therefore arises: why and under which circumstances do firms approach regional authorities, and are they willing to put in the required investment in time and effort to pull the alarm (to lobby them)? Secondly, firms need to be informed. This is not as obvious as it seems, for how does a firm know the EU is negotiating issues in a Free Trade Agreement that may potentially harm it? Endorsers (firms and interest groups) need to be informed. This may be difficult, for they may not be aware of potential dangers (and only feel the effects once the damage has been done). A reason can be that they simply do not have the capacity to get the information, or the means to put time and effort into monitoring it. Third, the visibility of firms' actions during such a fire-alarm procedure is an important aspect. If a firm's complaint becomes visible to others, firms may be less inclined to use it, as they prefer that their strategies are kept secret from competitors. Fourth, past experiences may play a role. If a firm has successfully been lobbying on trade (or other) policies, it may behave differently than if it has never experienced such success. This will be further explored in the second part of this dissertation.

1.6 Operationalization of the variables

The dependent variable of the main hypothesis is the 'capacity to exert control'. By control, I mean the ability of the principal(s) to effectively and credibly deploy an array of control mechanisms in order to reduce problems of agency losses (Pollack, 2003). Control requires that the principals are informed about the agent's actions, so that they can steer the agent in their preferred direction if necessary. I am thus not looking at the actual influence, i.e. the control over outcomes of the EU's external policies, but more precisely at the internal process of decision-making and representation in the EU, and regions' capacity to exert control over the agent's actions.

The dependent variable of capacity to exert control can take different values on a continuum between the poles 'low capacity to control' and 'high capacity to control'. The relative, rather than absolute positions are of importance. Since we are looking for an explanation for why one region has a higher or lower degree of capacity to control the EU's trade negotiations, as compared to other

regions. Although as researcher I assigned the values on this variable, I did so by operationalizing the capacity to exert control as: 1. whether the region is able to put topics on the agenda (yes or no), 2. whether it can propose actions for the agent that will then be followed (yes or no), 3. whether it can refrain the agent from actions that are not preferable to the principal or not considered a priority (yes or no). The answers to some of these indicators may be positive (yes) and to other indicators negative (no). If three out of three questions is answered with a ‘yes’, we speak of a high degree of control. When two out of three are positive, then there is a medium degree of control. Otherwise, we speak of a low degree of control (with only one ‘yes’, or only ‘no’ as an answer).

Conditions for high capacity are whether the region is informed and well up in the matter and whether the region is being heard, when it wants to speak, I conceive of a region being up to date, when it is aware of the recent evolution of the trade negotiations into great detail. Firstly, a region needs to know the ‘big lines’ of the negotiations and be informed about what the standard interests and positions of the EU and of the negotiating partner are. This is the top down stream of information. Secondly, when regions have specific interests, they need to be able to identify all the aspects of the negotiations that may touch upon these, and follow them up proactively during the course of negotiations. This means that regional authorities need to know which of the discussed matters are of vital importance to the region. For example, if the EU takes an offensive stand on commercial services, and if commercial services companies are of importance to the region’s economy, regional authorities need to have knowledge about how the European Commission negotiator seeks to advance these interests. The region may also try to protect sensitive sectors. For example, if the US has an offensive interest in liberalizing health services, which goes against the interest of a region, then it needs to know every specific detail on the state of negotiations on these aspects. If, for example, the region has no agriculture sector, it does not have to know all specifics of a list of agriculture products that are protected by sanitary and phytosanitary measures. In short, a region has to be able to stay ahead of the negotiations, to identify its own interests and to prioritize between them. When these criteria are fulfilled, I consider the region to be up to date and ready for the next step, namely trying to steer the course of the negotiations in the preferred direction.

2. When a region wants to communicate its preferences, the receiving actors have to listen, or else its monitoring efforts are wasted. Therefore, a region needs to be viewed as a ‘serious’ player at the international level. To increase legitimacy regions can demonstrate their expertise and involvement on certain matters. And when this second requirement for control is fulfilled, the region can try to put certain topics on the agenda, either directly (as principal), or indirectly through other actors (by lobbying the EU Commission, the federal authorities, the member state, or even the European Parliament).

As for the independent variable, the type of actor can be identified by looking at the regulatory powers of the regions on the policy domains, as determined in the Constitution. If a region has exclusive competences over a policy field and a veto right on its own, it is one of multiple principals. If competences require preliminary coordination and a joint decision by regions, the regional authorities are part of a collective principal, as they cannot simply veto a decision on their own. A direct link between a principal and the ultimate agent can be identified by looking at region's representation activities in Brussels, and at whether they are in contact with the EU Commission. As this research is exploratory and qualitative in nature, it will be possible to figure out the extent to which formal powers matter for the capacity to control, while leaving room for discovering other factors.

2. Method

In the next sections, I conduct an empirical investigation on whether the theoretical propositions could hold. This part focuses on the way regions act in a context where different levels are involved in a chain of delegation, and engage in activities to reduce information asymmetry and to increase their capacity for control with regard to EU external economic policies. To understand this complex process, taking place at different levels, a comparative qualitative case study is the most appropriate method.

Case studies are considered particularly apt for exploratory, descriptive or explanatory research (Rowley, 2002; Yin, 1994), as they enable us to map the situation for one or several regions. Furthermore, one of the advantages of case studies is that different types of sources can be used in the analysis, such as government documents, position papers, interviews, (non-) participatory observations, etc. To our knowledge, no research has so far been conducted on the different ways in which regions' involvement and capacity to exert control over the EU's external economic policies varies across regions within this issue area. A comparison of the variety of these activities will be helpful in determining the capacity to control.⁷ We compare the capacity to exert control for cases chosen according to our hypothesis and sub-hypotheses, but also according to regions. Regarding the choice of regions, we opted for similar regions, namely regions with regulatory powers (constitutionally 'strong' regions) that were close to each other on a number of economic indicators (see next section)⁸. I note though that there are large differences in the degree of autonomy these

⁷ These paragraphs are based on (Deforche, 2012; Eckhardt, 2011; George & Bennett, 2005; Gerring, 2007; Rowley, 2002; Yin, 1994).

⁸ See also Kerschot, De Bièvre, & Kerremans (2013).

regions enjoy, especially with regards to competencies over EU trade agreements. I opt for similar cases, so that I can attempt to explain why they follow (presumably) different strategies and what the effects are on the way they control the EU's external trade policy. I thus adopt a Most Similar Systems Design, as I do not know the outcomes on the dependent variable yet. I thus expect variation on the dependent variable, the regions' capacity to exert control despite the fact that these regions are chosen on the basis of similarities. In the following section, I explain the case selection.

2.1 Selection of regions

I decided to choose regions as similar as possible to Flanders, which enables us to compare them. The first criterion for selecting the regions to be studied, is that the region has regulatory powers (not necessarily on trade policy however). Rowe mentions the "*constitutional regions*" movement. The author argues that '[t]here is a clear preference for constitutional regions to form *ad hoc* advocacy coalitions, which consciously exclude weaker, non-constitutional regions from their membership' (Rowe, 2011, pp. 8–9). As those constitutional (or regulatory) regions pursue different goals than non-constitutional (or non-regulatory) regions do, they do not make for good comparisons. This narrows the possibilities down to regions from Austria, Germany, Spain, the United Kingdom (and within the UK, to Wales, Scotland and Northern Ireland), Italy, Finland (Åland) and Portugal (Azores, Madeira) (Regleg, 2008). Not all of the regions in these countries have the same amount of formal powers. Inside these countries, I therefore preferred regions with more formal powers to include in our selection.

Second, in order to keep constant a number of exogenous factors, I select regions similar to Flanders on a number of indicators. To this purpose, I use the 'Regional explorer' on the OECD website⁹. This website permits to choose certain indicators in combination with certain regions and compare them easily (on a map, in a graph, or in a table). I used eight indicators, namely gross domestic product (GDP), GDP per capita, total population, area, gross value added (GVA) for sectors A-B (which comprises agriculture and fishery), GVA for sectors C-E (i.e. mining and manufacturing), GVA for sectors G-I (i.e. wholesale, retail trade, repair of vehicles and personal household goods, transport storage and communication, ...), and GVA for sectors J-K (i.e. financial intermediation, real estate, ...)¹⁰. Using the data on the value added for those different sectors allowed us to find regions with a similar composition according to sectors' importance. I did not include the indicators 'GVA for

⁹Link to the Regional explorer: <http://stats.oecd.org/OECDRegionalstatistics/#story=0>

¹⁰I decided to use absolute data for these categories. We also looked at the relative numbers, but the differences in percentages were sometimes very small. Even then, when I did make the same exercise with the relative data on GVA, the three regions that came out first were Cataluña, Lazio and Hessen. Second in the ranking came: Andalucia, Campania, Madrid, Scotland and Tuscany. With the other criteria taken into account, this amounts to the same result.

all sectors', as this correlates heavily with GDP, and 'GVA for sector F (construction)' and 'GVA for sectors L-P (public administration and defense, compulsory social security, education, health and social work, other community social and personal service activities, private households with employed persons)', as they are less relevant with regard to regional interests and preferences in the policy fields of trade, investment, competition or intellectual property. For each of the indicators, I ranked the list of data from low to high and took Flanders as a benchmark. I then looked at the five regions situated right 'above' Flanders in the list, and the five 'below'. These are the regions 'closely situated' to Flanders for that indicator, the lists are depicted in Annex I. After writing these down for each of the indicators, I counted how many times each region was found within the little lists that each time depicted the ten regions most closely situated compared to Flanders. The sum of this, the number of appearances for each region in Flanders proximity, is shown in Table 1 on the next page.

Table 1. Ranking of region's appearances in the proximity of Flanders¹¹

Ranking	Region	Number of times closely situated to Flanders (number of appearances in the lists in Annex I)
1	Madrid	6
2	Cataluña	5
	Hessen	
	Lazio	
	Niedersachsen	
	Scotland	
3	Andalucía	4
	Veneto	
4	Emilia-Romagna	3
	Piemonte	
5	Baden-Württemberg	2
	Calabria	
	Campania	
	Lombardia	
	Murcia	
	Northern Ireland	
	Pais Vasco	
	Rheinland-Pfalz	
	Schleswig-Holstein	
7	Abruzzo	1
	Aragon	
	Asturias	
	Bayern	
	Brandenburg	
	Friuli-Venezia Giulia	
	Hamburg	
	Navarra	
	Niederösterreich	
	Oberösterreich	
	Sachsen	
	Sardegna	
	Sicilia	
	Thüringen	
	Tirol	
	Toscane	
	Trento	
	Valle D'Aosta	

Source: Authors' compilation from the OECD Regional explorer (Retrieved on 23/11/2012).

¹¹ To my surprise, Nordrhein-Westfalen does not appear in this list, although Flanders has ties with this region. It does appear in the ranking made with the relative data on GVA, in third place, together with e.g. Baden-Württemberg (but before Bayern). I assume that other factors probably also influenced the decision to cooperate with Nordrhein-Westfalen.

Madrid is the region that most often occurs in the lists, meaning that it relatively resembles most to Flanders on the chosen indicators. However, there is the presence of the capital Madrid. Therefore, we decided to leave out the region of Madrid. In addition, Madrid has no port, whereas Flanders is home to the second biggest sea port in Europe, namely Antwerp, and Zeebrugge and Antwerp taken together account for the largest maritime shipping area in the entire EU. As mentioned above, the presence of an international port is quite a determinant in the employment and value added numbers of the Flemish economy. The next category, with regions that appeared close to Flanders for six out of the nine indicators, lists Cataluña, Hessen, Lazio, Niedersachsen and Scotland. It does not seem useful to study two German regions, so I decided to pick Hessen, a region that also appears first ranked in the list with relative data on GVA (whereas Niedersachsen only appears fourth in ranking, being counted only two times). Furthermore, the region promotes itself as an important center for transport at the heart of Europe, emphasizing its infrastructure (airport, roads, railroads and inland port). I left Lazio out as well, with capital city Rome. Furthermore, this is not one of Italy's most powerful regions (in terms of autonomy), whereas Scotland clearly is in the UK.

This work was conducted under the auspices of the Flemish government in the framework of the Policy Research Centre. This required a comparison of four regions, for reasons of policy relevance. The four regions picked are thus Flanders, Catalonia, Hessen and Scotland.

Afterwards, I decided to leave the case of Catalonia out of the dissertation for two main reasons: I had my concerns about the reliability of the data (mostly the interviews) that were collected for the region, and only three cases were required to fit the research design. The interviews in Barcelona took place during the week of 'internationalization' of the Catalan region. The actors in the administration and agencies were thus mainly occupied with promoting internationalization to others (for example to business, ...), and kept promoting their organization and the region rather than answering calmly to the questions. The interview with the Foreign Affairs department (one of the most important interviews) had to be interrupted at several occasions, due to a crisis. The respondent's mind was more taken up with solving the crisis with the interview. I therefore decided not to include this case in the dissertation.

2.2 Data collection

The empirical data for the project was gathered mainly by interviews, by document analysis, literature study and two non-participatory observations for the case of Flanders: one in an intra-Belgian coordination meeting and one in the Trade Policy Committee. Damro (2007) argues that undertaking systematic expert interviews in order to identify trends in the preferences of relevant principals and agents is the best way to overcome the pitfall of observational equivalence (p. 900). The information for the cases of Flanders has been collected between March 2012 and December 2013, for the case of Hesse interviews were conducted between April and June 2014. For the case of Scotland, one interview was conducted in June 2014¹², whereas the bulk of interviews were done in 2015 in February-March. The two observations and the interviews with several actors constituted the most important basis for the analysis. Some parts during interviews were mentioned ‘off the record’ or were not to be used explicitly if containing strategic positions of a regional or national authority. Most of the interviews were registered on tape (unless permission was not granted). Several respondents preferred not to be quoted or to verify quotes before publication, which is one of the main reasons why I limit the number of quotations below.

In the next section I conduct the empirical analysis. For each region, I provide some background on the region, sketch the relevance of EU external economic policies for the region, as well as the division of labor on it, and apply the explanatory framework.

¹² This was a few months before the Scottish referendum on independence, 28 September 2014. Due to the preparations for the referendum, the timing was not propitious for conducting interviews, which is why I waited.

4. Case Studies

1. The Case of Flanders

1.1 Background

In the second half of the 20th century, the rural and Dutch-speaking Flanders started overtaking Wallonia, traditionally French-speaking and reliant on heavy industry, by becoming a highly trade dependent and services-oriented economy. This led to Flemish demands for cultural and language autonomy and calls in favor of economic autonomy in Wallonia. The federalization of the formerly unitary Belgian state, led to a first decentralization of competencies in the area foreign trade in 1988 when the Flemish Service for Foreign Trade and its Walloon counterpart were created. The 1993 ‘Sint-Michiels’ agreement clarified the division of labor by listing federal trade competences. The 1999 government agreement stipulated minor changes to the Belgian Service for Foreign Trade, and shifted the issue to an ‘Intergovernmental and Interparliamentary Conference for Institutional Renewal’ to reach agreement on the regionalization of competences in agriculture and foreign trade (Jacques & Boromée, 2001, p. 10; Swenden, Brans, & De Winter, 2006). The resulting 2001 Lambermont-agreement assigned export-promotion quasi-exclusively to the regions, whereas the federal government remained competent over export-credit insurance and multilateral trade policy. The Belgian Service for Foreign Trade was rebaptized the federal Agency for Foreign Trade as an inter-regional agency (De Ville, 2008).

1.2 Flemish interests in the EU’s external trade policy

Flanders and the Low Countries are among the most trade dependent regions in the EU and the world. According to Ernst & Young’s globalization index, Belgium was ranked the fourth most open economy in 2012 (Flanders today, 2012). A closer look at export and import numbers (Table 2) shows a divide between the Flemish and the Walloon regions¹³.

¹³ Measurement issues that arise when discussing how to calculate regional trade statistics. For this research, a basic overview of trade in the regions suffices as they merely serve as an indication of the region’s interests in trade policy. Therefore, I do not go into further detail, but refer to research conducted by Soete, Studnicka and Van Hove proved in the framework of the Policy Research Centre.

Table 2: Export and import of Belgium and its regions 2007-2013, in millions EUR¹⁴

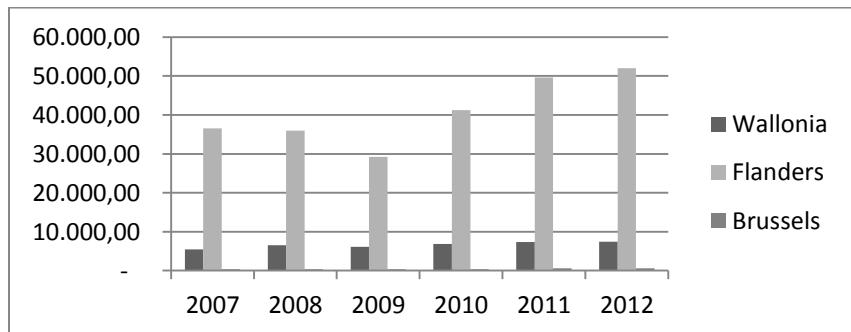
		2007	2008	2009	2010	2011	2012	2013
Total exports	Belgium	217.320,40	219.801,60	176.201,40	207.078,70	235.103,10	238.470,50	243.345,30
	Flanders	171.848,60	170.506,10	135.066,50	160.762,40	183.844,10	188.247,00	191.782,00
	Wallonia	41.033,50	44.487,80	37.161,90	41.717,00	45.792,70	44.322,60	45.470,40
	Brussels	4.438,50	4.807,80	3.973,30	4.599,50	5.466,30	5.901,10	6.092,80
Total imports	Belgium	215.906,60	231.091,60	181.383,50	211.677,00	245.787,30	249.726,40	251.981,60
	Flanders	176.637,60	188.819,40	145.885,30	171.764,40	202.266,00	204.180,80	205.724,50
	Wallonia	28.717,80	31.150,70	25.481,60	29.788,40	32.281,10	33.991,00	34.699,00
	Brussels	10.551,20	11.121,20	10.016,60	10.123,90	11.240,10	11.554,40	11.558,30

Source: National Bank of Belgium, n.d.

¹⁴ It is not indicated whether these numbers should be qualified due to the dominance of the Port of Antwerp as the linchpin for trade in Belgium. This may enlarge the weight of the Flemish region in the numbers (as goods from and to the other regions may pass through the port and may falsely be attributed to Flanders).

Flanders accounts for a total trade volume almost five times the size of Wallonia's. According to the numbers of the National Bank of Belgium, the Flemish region exports about four times more domestically produced goods and services, and imports almost six times more. Flemish enterprises trade mostly with EU countries, although most growth comes from outside the EU. In 2012, Flanders accounted for 79 percent of Belgian exports, Wallonia for 18 and Brussels for 2 percent. 31 percent of all Belgian exports are destined outside the EU. The Flemish region sends 34 percent of its exports to non-EU countries, Wallonia 20 and Brussels 24 percent. In 2012, Flanders accounted for 86 percent of Belgian total exports outside the EU, Wallonia for 12 and Brussels for 2 percent.¹⁵ These numbers are the most relevant, as EU FTAs are meant to enhance market access for exports to non-EU countries. The following figure shows the extent to which Flemish exports to non-EU countries have been on the rise over the past few years.

Figure 5: Non-EU export of Belgium and its regions 2007-2013, in millions EUR

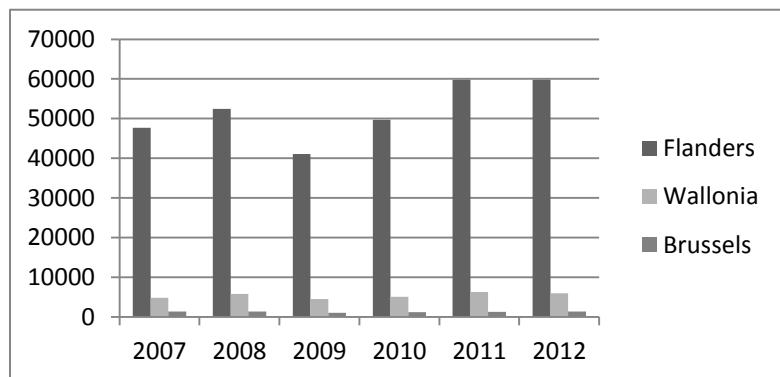


Source: author's compilation from National Bank of Belgium, n.d.

As for imports, Flanders accounted for 82 percent of Belgian imports in 2012, Wallonia for 14 and Brussels for 5 percent. Of all Belgian imports, 27 percent came from non-EU countries. Flanders stands for 89 percent of Belgian imports from non-EU countries, Wallonia 9, and Brussels 2 percent. Of all imports into Flanders, 29 percent came from non-EU markets. For Wallonia and Brussels, 17 and 12 percent were non-EU. Hence, any increase in import-competition for Belgian firms as a result of trade liberalization will probably affect Flemish firms primarily, and to a greater extent than firms in Wallonia and Brussels. Also on the defensive side, Flanders thus has high stakes in EU external economic policies conducted by the European Commission.

¹⁵ All numbers are based on data from the National Bank of Belgium.

Figure 6: Non-EU import of Belgium and its regions 2007-2013, in millions EUR



Source: author's compilation from National Bank of Belgium, n.d.

1.3 The division of competences regarding trade policy in Belgium/Flanders

Although Belgian regions are competent over sales and export policy, while the federal level has competence over ‘multilateral trade policy’, federal legislation is not hierarchically superior to regional legislation. What is more, due to the principle of ‘in foro interno, in foro externo’, Flanders holds competence over trade related aspects of agriculture, environment, transport, employment, culture and education, science and innovation, and health services (Bursens & Deforche, 2010; Deforche, 2012). Nevertheless, the representation in the EU Council of Ministers’ Foreign Affairs configuration (under which the Trade Configuration) is done by a federal Minister, according to the Cooperation Agreement (2003 amendments) (Vlaamse Vertegenwoording bij de EU - Permanente Vertegenwoording van België, 2010).

Within the Flemish regional government, the unit ‘International Entrepreneurship of the Policy-division’ in the **‘Flemish Department of Foreign Affairs’** (DiV) contains three officials; one works (almost) full-time on EU trade policy, a second backs up when needed, and the third one performs tasks unrelated to trade policy. This unit follows the EU Common Commercial Policy and serves as the Flemish voice in the intra-federal coordination meetings. Flanders’ stance is determined through consultation with interested services or experts within the Flemish government through its ‘Working Group EU Trade’, containing representatives of all policy domains, on the bureaucratic as well as political level.

Next to the DiV, the regional trade and investment promotion agency **‘Flanders Investment and Trade’** (FIT), promotes international entrepreneurship of Flemish enterprises, especially SMEs, attracting foreign investments, and providing services to Flemish and foreign ‘customers’ (“FIT - Onze organisatie,” 2014). FIT thus disposes of valuable information on market opportunities and restraints through its network’s contacts with enterprises.

Finally, the Flemish region has a **Flemish representation to the EU, located within the Belgian Permanent Representation**, that occasionally has direct contact with the Trade Commissioner and Commission officials, yet attends neither formal nor informal meetings with regard to EU trade policy, while the **Flemish liaison office to the EU (VLEVA)** is barely involved in trade matters.

At the Belgian, EU member state level, the two most important federal actors are the **Federal Public Service (FPS) Foreign Affairs** and the **FPS Economy**. The FPS Foreign Affairs’ Directorate-General European Affairs and Coordination (DGE), more specifically the unit for trade policy EU and WTO, is responsible for multilateral trade policy, and organizes the coordination between all relevant authorities. Every Thursday before the EU Trade Policy Committee (TPC) gathers, they meet and discuss the Belgian position on trade issues on the agenda. Always invited are the FPS Economy, the

cabinets of the ministers of Foreign Affairs (federal and regional), the DiV and its counterparts in the other regions, and depending on the agenda, other relevant regional and federal administrations and cabinets. There are four persons working on trade policy full time, and the trade ambassador who works most of her time on trade policy matters.

1.4 Analysis¹⁶

*Expectation 1: Regions act either as transceiver, collective principal or one of multiple principals
Flanders as one of multiple principals*

DiV actively participates in the Belgian coordination meetings. In matters of exclusive regional competencies (e.g. agricultural or cultural matters), and even in matters of mixed competence, Flanders is one of multiple principals, as it can in theory veto a federal decision, resulting in no Belgian position. In such a case other EU member states would decide for Belgium in the Council of Ministers. The FPS Foreign Affairs mediates in case of conflict, relying on the notion of ‘complementary interests’ to avoid obstructions in the decision-making process, a soothing word meaning that a Flemish interest rarely harms an interest in Wallonia and vice versa. As Flanders is generally free trade oriented, but Wallonia more cautious, one could wonder whether any protectionist reflex could not have a negative impact on Flanders. The invocation of complementary interests thus facilitates agreement, which is always preferred so as not to forego the possibility to co-decide in the Council of Ministers.

Although the FPS Economy and Foreign Affairs can give advice on the matters under discussion, they hold back when the decision is made and the regions have a strong preference. For example, the Minister for Economy Vande Lanotte decided not to intervene when the regional authorities had a strong (common) preference in the transatlantic negotiating mandate for the EU Commission, even though the FPS Economy advised against it. The Minister’s cabinet, however, found the discussion misleading and did not see it as an either-or matter. This could also have been a reason for the Minister not to intervene (“Interview with Cabinet of Minister Vande Lanotte, Minister for Economy, SME, Middle Class and Energy,” 2013, “Interview with FPS Economy, SME, Middle Class and Energy, General Direction Economic Potential,” 2013). Belgium represented the position decided by the

¹⁶ The analysis is based on two non-participatory observations at the Belgian intra-federal coordination (DGE – on 28/03/2013) and at the EU’s TPC (on 1/03/2013) and on the interviews that were conducted for the Flemish case (see Annex 2 and 3), complemented with document analysis and literature study. The information for Flanders and Catalonia was collected between March 2012 and December 2013. We limit the number of quotations and references below, as some respondents preferred not to be quoted or to verify quotes before publication.

regions, which was even included in the final mandate for the negotiations - as other member states shared this position. (Inside U.S. Trade, 2013)

Remarkably, a Walloon official from the Agriculture Department often attends TPC meetings, whereas DiV rarely does. This is odd for two reasons. First, the TPC is not explicitly mentioned in the Cooperation Agreement (2003) stipulating how regional authorities will coordinate their positions to get them represented at EU Council of Minister level, so the same rule as for the Council formation Foreign Affairs should apply. Second, this official does not stem from Wallonie-Bruxelles International, but from the Walloon Agriculture department. This demonstrates awareness, on behalf of the Walloon agriculture department, of the Commission's behavior, and shows that they find direct control over this regionalized matter important (based on "Interview with Walloon Department of Agriculture, Natural Resources and Environment," 2013).

Empirical test of H1: The stronger the region's formal role within its member state's decision-making procedures, the higher its capacity to exert control.

Hypothesis H1a: A region acting as one of multiple principals, has a high capacity to exert control over the negotiating agent.

Flanders' capacity to control is hard to assess. On certain topics, it appears that Flanders has a high capacity to exert control. Flanders is able to put a topic on the Belgian agenda and propose actions for the agent. When no other actor in Belgium vetoes it, the federal representatives will present this in the Council. The region can refrain the agent from actions when needed, it can de facto block Belgium from taking a position in the Council of Ministers. This is all directly linked to Flanders competences over trade policy and the region's position as one out of multiple principals. This only holds for a limited amount of topics related to a number of sectors. For other issues, Flanders qualifies as one out of multiple principals, but has no own input, due to a lack of revealed interests. In those cases, DiV bases its position on studies from the FPS Economy, or even lets the other actors decide. Therefore, in those cases, Flanders only has a low capacity to control de facto, whereas a high capacity to control was expected in general, as Flanders is classified as one out of multiple principals. I therefore decide that Flanders thus has a medium capacity to control in general. The story of formal competences does not fully cover practice.

The evidence does not support the first hypothesis, which was the seemingly logical expectation that (only) formal competences matter. There is an interaction effect with the amount of information an actor has, from where she obtained the information, and which type of information is concerned.

I conclude that formal competences, while they form a crucial aspect in augmenting the amount of control a region can exert, still do not decisively determine a region's capacity to exert control. Regardless of whether Flanders acts as one of multiple principals, the possession and transmission of bottom up information about economic interests or constituency interests determines whether or not the Flemish regional authorities exert control over the European Commission as agent in EU trade policy. Very often the Flemish region – just like many member states by the way (see Adriaensen, 2014), does not define any position, as its regional authorities lack input from endorsers. So the region is rather well-informed on top-down information and obtains the information on the negotiations, but is not knowledgeable on the bottom up information on interests. What we actually see here, is that, the formal positioning matters mainly when all actors have information and (colliding) interests. The formal powers are merely useful when the actor has a specific interest at stake and a position to push forward in the negotiations – a prerequisite for this is that the actor is knowledgeable about economic interests (or otherwise, it can only take political stances).

2 The case of Hesse

2.1 Background

Germany is integrated into the world economy and dependent on its growth to a greater extent than many other countries. More than one in four euros is earned by exporting goods and services and, consequently, more than one in five jobs depends on foreign trade. The export of goods and services is therefore one of the main drivers of the German economy. (Federal Foreign Office,, 2014)

The State of Hesse is one of sixteen regions, also known as *Länder*, in the Federal Republic of Germany. The 'Bundesrepublik Deutschland' exists formally since 1949, but obtained its current form after the end of the Cold War and the German reunification of 1990. In the nineties, the *Länder* increasingly kept criticizing the functioning of the German federal system up to the point where constitutional reform was unavoidable. On the one hand, the so-called 'Politikverflechtung' and 'joint-decision trap' played an important role (Deforche, Bursens, & Van Berendoncks, 2011; Scharpf, 1988) . On the other, developments at the European level threatened to erode the *Länder*'s emancipation, as also matters of their competencies threatened to be transferred to the EU – by the federal government. The Maastricht Treaty, negotiated in 1990-91, threatened to encroach significantly on *Länder* powers. The *Länder* thus sought safeguards to ensure that they would have direct access to both national and EU-decision making on matters which fall within their competencies. Wielding the threat of a Bundesrat veto of the Treaty, The German regions had considerable success in shaping Germany's negotiating position on Maastricht. Their lobbying was instrumental in the inclusion of Article 146 of the Treaty, under which any Member State can send

sub-national (or 'regional') Ministers to act as its delegate on the Council of Ministers, and in the creation of the Committee of the Regions. (Bomberg & Peterson, 1998)

Each Land in the federation has its own constitution, parliament and government. Regional participation in the legislative process and administration of the Federation is guaranteed through the 'Bundesrat', which functions as a second chamber. (Art. 50 of the Basic Law). 'As a matter of principle, the Bundesrat participates in the passage of every law adopted by the Bundestag [Germany's directly elected Parliament]. The extent of its participation, however, depends on whether the bill in question is one to which the Bundesrat may lodge an objection or one requiring the Bundesrat's consent.'

In keeping with the Basic Law, it is more usual for bills not to require the consent of the Bundesrat in order to become law. In such cases, the Bundesrat has the right to lodge an objection to most bills adopted by the Bundestag, but must first try by means of a Mediation Procedure. The Bundestag can however still overturn an objection from the Bundesrat by an absolute majority (for some special cases by a 'double qualified majority') (Art. 77(4) of the Basic Law for the Federal Republic of Germany, 2012; Deutscher Bundestag, 2014). Where specifically provided for in the Basic Law, and usually if a bill substantially affects the interests of the Länder, it requires the consent of the Bundesrat to become law. The Bundesrat may therefore exercise an absolute veto in such cases, one the Bundestag cannot override. A bill may fall into this category if it affects the finances of the Länder or if it has a particular effect on their implementation of legislation, the organization of the Land administrative authorities or the implementation of any other measures by the Länder. Since the 2006 reform, the number of bills requiring the consent of the Bundesrat has diminished; yet these bills still constitute almost fifty per cent of bills promulgated.

As for trade agreements, article 73 of the Basic Law on 'Matters under exclusive legislative power of the Federation' states that the Federation shall have exclusive legislative power with respect to 'the unity of the customs and trading area, treaties regarding commerce and navigation, the free movement of goods, and the exchange of goods and payments with foreign countries, including customs and border protection' (par. 5). Trade agreements only have to be approved by the Bundesrat when they are 'mixed agreements', also touching on Länder competences. This however, should not be too rare, as trade policy and trade agreements include trade related aspects of agriculture, transport, culture, education, ...¹⁷ One specific example is market opening for private education services.

¹⁷ This paragraph is based on: (Auel, 2008, pp. 424–439; Deutscher Bundestag, 2014; Jeffery, 1997, pp. 254–255)

2.2 Hessian interests in the EU's trade negotiations

Hesse is one of the largest economies in Germany thanks to its location in the Rhine-Main region, the second largest urban and industrialized region in Germany, after the Ruhr area. Mobility and transportation are key factors of Hessen's economic success. It forms the basis of the State's prosperity. Three of the most important European transportation hubs are located in the Rhine-Main area. Frankfurt Airport, with 54 million passengers per year, is the second largest airport on the European continent, after Charles-de-Gaulle Airport in Paris. Frankfurt Main Station hosts 350,000 passengers per day, and 330,000 cars per day pass Frankfurt's main highway junction "Frankfurter Kreuz". In addition, Hessen is part of Europe's major water transportation network. The infrastructure is key to the stability of the region's economic development. Hessen is one of the most important locations for logistics services in Germany for the freight transport sector. (Federal State of Hessen, 2014) Frankfurt developed into a leading financial center. The city is not only the domicile of the German Central Bank (Deutsche Bundesbank) and the European Central Bank, it will also host the new European Systemic Risk Board (ESRB).

The Tables 3 and 4 (on the pages 66 and 67) represent the import and export numbers from 2008 till 2013. They show that there are huge differences between Hesse and other rich and poorer regions in Germany. In 2013, Hessen exported for 56,945 million, which is 5,20% off all German exports¹⁸. Four German Länder exported more than Hessen in 2013: Nordrhein-Westfalen, Baden-Württemberg, Bayern and Niedersachsen. The other 11 Länder all exported less (DEStatis - Statistisches Bundesamt, 2014). Hessen exports most of its goods and services to European countries, which account for about 66% of all exports in 2013. Exports to America account for 14.6% (of which 10,8% to the USA) of all exports and Asia accounts for 16%³ (Statistische Ämter - Des Bundes und der Länder, 2014). The most important export goods are chemicals and pharmaceutical products which account for about one-quarter of total exports, machinery/mechanical engineering, motor vehicles and components, and electro-technology (Hessen Trade & Invest, 2014).

Hessen imported in 2013 for 78, 881 million, which is almost 8,8% of all German imports³. Again, Nordrhein-Westfalen, Bayern, Baden-Württemberg and Niedersachsen imported more and the other 11 Länder less (DEStatis - Statistisches Bundesamt, 2014). Hessen imports most of its good and services from European countries, which account for about 64% of all imports. Imports from America account for 11.6% (of which 9.7% from the US) of all exports, and Asia accounts for 21,5% (of which 8% from China)³ (Statistische Ämter - Des Bundes und der Länder, 2014). China is Hessen's third most important trading partner (Hessen Trade & Invest, 2014).The most important import products are

¹⁸ Own calculations.

motor vehicles and components, machinery, and electro-technical products (Hessen Trade & Invest, 2014).

The Coalition Agreement 2014-2019 of Hessen puts a strong policy focus on creative diversification and innovation of companies in supporting their international competitiveness. This is especially directed towards SMEs – about two thirds of all employees work in an SME – that provide wealth to the region. The coalition indicates that it wants to promote trade and allowing businesses in new sectors like energy and material efficiency, renewable energy and environmental engineering, to enter new markets. Traditional sectors of high importance are the research-based pharmaceutical and chemical industry, for which Hessen wants to strengthen and develop itself as an international location and strive towards greater connectivity. Hessen wants to be the top in research and development - for example in making lighter and more energy-efficient cars and alternative propulsion engines – and exploit the huge potential of the aerospace sites. The Coalition makes the commitment to better coordinate foreign trade policy and to focus it on the most important growth and economic regions, for which they will develop a new approach together with all relevant stakeholders (CDU Hessen & Bündnis 90/Die Grünen Hessen, 2014).

Table 3: Export of Germany and its regions 2008-2013, in thousands EUR

Total exports	2008	2009	2010	2011	2012	2013
Germany	984139797	803311845	951959469	1061225291	1095766404	1093114584
Baden-Württemberg	149337885	123301183	152722030	171909721	175103508	173298582
Bayern	154333267	122307291	144010552	160018625	164588462	166389828
Berlin	11575460	10460872	12041296	12995735	13630766	12926404
Brandenburg	12172415	10737412	12245150	13499038	13315516	12932907
Bremen	13202074	10853849	13995466	15257046	17858282	14668163
Hamburg	31271383	32095381	35575837	42057465	50812759	49179690
Hessen	50939599	42996760	51243606	55408924	55058945	56945549
Mecklenburg-Vorpommern	5964608	4942686	6033877	7205443	6156271	7298499
Niedersachsen	74978591	56956471	65842554	75441934	78891134	77409247
Nordrhein-Westfalen	171294326	137277067	160232744	176334189	180814602	178805950
Rheinland-Pfalz	44506068	34616047	40425588	44840528	46296531	46506933
Saarland	13857011	11169848	12981756	14768071	14778432	13285703
Sachsen	23200008	19501053	24743444	29408360	31827663	31430259
Sachsen-Anhalt	12630145	10426862	12560171	14710773	14806019	14800606
Schleswig-Holstein	18265826	14814088	18262221	18292031	18824622	18969709
Thüringen	11103714	8887132	10822870	12619089	12612682	12114164
Foreign	172162901	151060432	178002955	195808763	196831219	202999278
Rest	13344516	907411	217351	649557	3558991	3153112

Source: DEStatist - Statistisches Bundesamt. (2014). Aus- und Einfuhr (Außenhandel): Bundesländer, Jahre.

Table 4: Import of Germany and its regions 2008-2013, in thousands EUR

Total imports	2008	2009	2010	2011	2012	2013
Germany	805842470	664614892	797096855	902522833	905925476	898164436
Baden-Württemberg	127737130	107008474	126294664	143408455	141341626	140873397
Bayern	129468096	107290529	129429457	145679684	147591331	146767114
Berlin	8836354	8332920	9504931	10247531	9885480	9729719
Brandenburg	14053264	11582832	14443478	18115665	19046163	18668138
Bremen	12793845	10782588	12562979	14012466	13862234	13696835
Hamburg	59647421	54121324	67324385	69876789	69247476	68903764
Hessen	68304470	58079920	67846551	76796323	77848937	78881751
Mecklenburg-Vorpommern	4413937	3351432	3931301	4487845	4459146	4425446
Niedersachsen	73430688	60612781	72583237	83296352	89395656	82455358
Nordrhein-Westfalen	186328767	145554979	176561891	204016510	202287851	205641967
Rheinland-Pfalz	26601695	21706121	27086099	31495396	31389681	31184362
Saarland	11074872	9527180	10783377	12946799	12556252	11465757
Sachsen	15388830	13605306	16902682	20252937	19477864	18988824
Sachsen-Anhalt	11701478	9286494	11936384	14881173	15669791	16782708
Schleswig-Holstein	20972899	17763622	19663418	20960247	20175974	19192053
Thüringen	7285182	5597679	6755406	7995414	8052612	8293298
Foreign	26571815	22444905	27721508	29440126	28985486	27687291
Rest	5576569	741605	110274	124587	110773	84498

Source: DEstatist - Statistisches Bundesamt. (2014). Aus- und Einfuhr (Außenhandel): Bundesländer, Jahre.

2.3 The division of labor

Regional actors

The unit Foreign Trade and Location Policy, situated in the Department for External Economy, Middle Class, Vocational Education and Technology, of the **Hessian Ministry of Economic Affairs, Energy, Transport and Regional Development** follows up the free trade negotiations conducted by the EU, with a particular focus on the Transatlantic Trade and Investment talks. If aspects of the negotiated agreement have to pass the Bundesrat, which is very likely in the case of the TTIP for example, the German regions can agree on a position. One to two persons work on trade policy, one expert and someone else is in charge of communication with the Bundesrat. They are not working on trade full-time, the expert spends about ten to twenty percent of the time on trade issues.

The **Representation of the State of Hesse to the EU** is an antenna for information. The representatives do not take part in the decision-making, not even informally. The formal distinction between the administrative and political level seems to be the practice – to the contrary of the federal level, where the Bundesministerium für Wirtschaft und Energie (Federal Ministry for Economic Affairs and Energy) informally discusses the best stance for Germany to take in the EU bodies with the Permanent Representation, and it happens that they jointly decide.

The **Representation of the State of Hesse in Berlin** performs a similar function, but collects information from and coordinates with the Bundesrat and the federal authorities.

Hessen Trade and Invest (HTAI) is the economic development company for the State of Hesse. It aims to position and strengthen Hessen as an economic and technology site nationally and internationally. HTAI helps companies who want to go abroad, particularly small and medium-sized businesses. HTAI is a subsidiary of HA Hessen Agentur. Together with this and the HA ‘Stadtentwicklungsgesellschaft’, they form the non-monetary column of Hessen business development. HTAI advises companies, economics and politics, and brings them into contact with foreign partners and/or with decision-makers. HTAI takes part in interdisciplinary networks of economic developers, clusters, municipalities, universities, and research institutions, as well as chambers and associations at the regional, national, and international levels. HTAI is the central contact for companies from Hessen, as well as scientific and political institutions. The company links foreign trade (outgoing) and on-site (incoming) marketing activities as well as European expertise with the topics of technology and the future. Due to the interdisciplinary preparation and wide networking in business, science, and society in

Hessen, Germany, Europe, and the world, new developments and trends can be quickly identified and effectively implemented in funding activities for Hessian companies.¹⁹

Federal actors

The central actor in German trade policy is the '**Bundesministerium für Wirtschaft und Energie**' (Federal Ministry for Economic Affairs and Energy), Directorate-General V for external economic policy. Also the Directorate-General European Policy (DG E) and/or the DG Political Co-ordination (DG L) may play a role. The central priority is to lay the foundations for economic prosperity in Germany and to ensure that this prosperity is spread broadly throughout the population. This overarching priority gives rise to specific objectives that serve as guideposts for the formulation of economic policy. These objectives include expanding the worldwide division of labor and a free system of world trade. The Ministry's legislative, administrative and coordinating functions in areas such as competition policy, regional policy, SME policy, energy policy, and external economic policy are geared to this task. (Federal Ministry for Economic Affairs and Energy, 2014) The main department is the one for external economic policy (Aussenwirtschaftspolitik). There are two main units working on trade policy: the one for general trade policy (EU/WTO), and the one for customs, the system of general preferences, policy instruments, and rules of origin. Both units employ eight persons. In addition, and especially of great use for the follow up of FTA negotiations, there are desks with a geographic focus. In each desk, there is someone working part time on trade issues (8 part – timers in total). They are the most important actor in Germany working on trade policy. They coordinate with the other actors (other Ministries, Representations, ...) by way of video conferences held every Thursday (before the Trade Policy Committee meeting). In addition they have to coordinate with the Länder on a regular basis for bilateral negotiations. The Länder have, for example certain competences in the area of services (e.g. regulation of professions), so they coordinate on market opening for services and try to convince the Länder.

The '**Auswärtiges Amt**', or the **Foreign office**, engages in trade promotion activities, in cooperation with Germany Trade and Invest. The vision of the Foreign affairs office is that state external economic promotion cannot replace business initiative's efforts, but can enhance basic conditions for business activity and help companies find new markets abroad. 'The state and industry work together to assist companies. Information and advice are provided by both state bodies (e.g. embassies, German Office for Foreign Trade) and by business community organizations (e.g. chambers of commerce abroad, Germany Trade and Invest). In addition to this, the state promotes entrepreneurial activities abroad (e.g. trade fair

¹⁹ This paragraph is based on (Hessen Trade & Invest, n.d.)

programs and export credit insurance). The Federal Government focuses for a big part (at least according to their website) on small and medium-sized companies, and particularly to companies from the new Länder. Moreover, the state's task is to use bilateral and multilateral negotiations, e.g. in the EU, in the OECD and in the WTO, to work towards a framework through which competition and trade can develop as freely as possible. In addition to this, where high barriers make access to foreign markets difficult for German companies, foreign trade policy can help dismantle them' (Federal Foreign Office, 2009). The Federal Foreign Office is also committed to improving global conditions for German entrepreneurial activity – for example, it takes part in negotiations for investment promotion and protection agreements and double-taxation conventions and represents the Federal Government on international bodies such as the WTO, the OECD, the UN and the EU, working to create conditions favorable to trade and investment and to achieve equal opportunities for German companies (Federal Foreign Office, 2009). The Foreign Office and its Permanent Representation in Brussels closely follow the discussions and negotiations in the TPC, and the Foreign Office regularly sends someone to the video conferences organized by the Ministry for Economic Affairs. Their interest and focus is sometimes divergent from the Ministry for Economic Affairs, as they take into account political interests and aspects, whereas the Ministry of Economic Affairs focuses mainly on economic interests and arguments. They will, for example, include foreign policy considerations in a decision on potential negotiation partners for trade agreements. They will think about how to cooperate with the institutions in the country, how similar their society is vis-à-vis the German one, etc. The Ministry for Economic Affairs focuses on economic indicators like the size of the economy and the potential for growth.

The Permanent Representation of the Federal Republic of Germany to the EU. The Permanent Representation is the link to the EU Commission and other actors. It does not, like in many other countries, represent in the Trade Policy Committee meetings. The Permanent Representation does take part in video conferences organized by the BMWI, communicates to other actors in the EU, engages in social networking, etc. Therefore, its input is relevant and taken into close account by the BMWI during the decision-making phase. Formally, the BMWI takes the decision, but informally this regularly happens jointly in close consultation.

Germany Trade & Invest (GTAI) is the German trade promotion agency. GTAI provides up-to-the-minute foreign trade information to German-based businesses seeking to expand in international markets. A team of industry analysts spread across the globe compiles constantly updated country reports. Germany Trade & Invest's foreign trade division also provides the following services: market and industry reports, business and tax law information, customs and tariff conditions, international project

notifications, calls for tender and business contacts, practical business information. (Germany Trade and Invest, 2014) The federal Ministry for Economic Affairs can use the information Germany Trade and Invest collects very well, it can ask for specific information regarding the matters GTAI is working on and receive GTAI publications. This does not mean GTAI has all the information on all the sectors in the economy.

2.4 Analysis

*Expectation 1: Regions act either as transceiver, collective principal or one of multiple principals
Hesse as part of a collective principal*

The state of Hesse, or any other German region for that matter, is never one out of multiple principals. The region itself cannot veto a decision agreed upon by the other actors. As, through the Bundesrat, the regions jointly have a voice over the final ratification of mixed agreements (agreements that touch upon matters of regional competencies), the Länder are part of a collective principal. They only have a say on the position after the regions have reached agreement among themselves. The Federal Ministry for Economic Affairs coordinates regularly with them, mainly informing them on the position decided and trying to convince the regions. Once the real negotiations are finished, they are confronted with a take-it-or-leave it situation. As by that time it is too late to try steering the talks in a certain direction, the federal Ministry for Economic Affairs tries to anticipate a non-ratification by informal contacts with the regions and through the coordination with the Bundesrat. The case is therefore very different from the Flemish case, where Flanders' position in itself is included the definition of the Belgian position. In Germany, it is the federal government who suggests a position, informs the Länder, and sees whether they agree.

If regions try to influence the negotiations formally, through the position of the Bundesrat, they will try to form a coalition with other regions, and they will try to find partners. In order to find partners, they will look at regions with the same party (-ies) in the coalition and then will look at regions with similar economic interests (and similar interests in trade policy). Another way is to approach the Ministry for Economic Affairs informally and communicate interests.

Collective dynamics

As part of a collective, when an actor wants to steer the direction of decisions to be taken, it has to convince the others in the collective. Therefore coalitions are sought, in order to find a majority in the Bundesrat. The region of Hesse first looks for other regions with the same party lines and the same interests. Political considerations thus seem important in this context²⁰. Hessen then looks at regions with similar interests. In general, there is an east-west divide that makes it difficult to find a compromise across all Länder. The regions are inclined to look for partners from the same parties as the ones in power in the region.

In addition to forming or joining a coalition, a region can try to influence the Federal Ministry for Economic Affairs' actions and/or position through direct informal approaches. Chances at success may be higher than by working through the Bundesrat, as this way, a region can ask for additional information and avoids having to coordinate with the other fifteen regions. The state of Hesse is not mentioned as one of the most active regions. I see little reason, however, for regions to engage in this, unless there are different parties in power at the levels of government (which is usually not the case).

Empirical test of H2: The stronger the region's formal role within its member state's decision-making procedures, the higher its capacity to exert control.

H2b: A region acting as part of a collective principal, has a medium capacity to exert control over the negotiating agent.

The region of Hesse is to a little extent aware and informed about EU Trade Policy. The representation looks for information on the state of trade negotiations, with a specific focus on the Transatlantic Trade and Investment Partnership (as the US is the biggest non-EU trading partner of the region). Not much time is put into it however. The Ministry for Economic Affairs of the region does invest a certain, albeit limited, amount of time and personnel, but these persons are to a large extent reliant on the federal authorities. They receive information from them, often with already a position for Germany in the information. This is different than for Flanders, which is explicitly asked for a position. As Hesse is struggling with the conditions needed to install a capacity to control, the region in practice does not

²⁰ Within the German context, it seems that party politics and ideology may take the upper hand over territorial interests. This would be an interesting path to explore further. I have decided not to do so in this dissertation, however, as my goal is to focus on the day-to-day administrative decision-making and not to focus only on salient issues to politicians.

place topics on the agenda, cannot refrain or encourage the agent to do much. Hesse's capacity to control remains therefore low. The role as one out of a collective principal does have a link with the capacity to control, but other factors come into play. If the region wants to make use of formal ways to ensure a certain position, it has to convince the majority in the collective and then the Bundesrat has to agree with the federal authorities. Therefore, the region may also consider engaging through less formal bilateral contacts with the Ministry for Economic Affairs, or working through the party. That being said also informally, Hesse is not very active. The region's main activities in trade negotiations seem to be focused on the Transatlantic Trade and Investment Partnership, as the US is an important trade partner for the region.

3 The Case of Scotland

3.1 Background

In 1707 the Scottish Parliament gave up its sovereign status and powers to enact primary legislation through the Act of Union, in order to enter into a union with England. However, Scotland negotiated that it would maintain the ability to control matters of religion, law, education and local government. The final decision-making power was vested in the UK parliament for these areas, but certain constitutional guarantees were granted. Regional autonomy was set aside (Stuart, 2009).

A landmark in the movement back towards more regional autonomy, is the in 1885 created Government department of the Scottish Office as a concession to calls from Scottish separatist movements. The Scottish Office was granted responsibility for a number of Scotland's administrative bodies in those areas for which it negotiated guarantees in 1707. This meant that in situations where circumstances differed from the rest of the UK, Scotland would be able to issue legislation in alignment with the regional requirements. Incremental transfers of policy competences would lead to the extensive growth of the administrative responsibilities of the Scottish Office (Stuart, 2009).

Another major step in the movement towards greater independence or administrative devolution, was the failed referendum of 1979. The referendum was unable to bring down calls for Scottish independence. In 1997 a second referendum was held over the question whether the Scottish people favored the creation of a Scottish Parliament. 60.4% of Scottish nationals voted, of which 74.3% supported the creation of an own Parliament and 63% voting for the Parliament to have powers to vary the basic rate of income tax (Scotland Office, 2013; Stuart, 2009). Hence, in 1998 the Scotland Act was passed, establishing a devolved Scottish Parliament and Administration and specifying those matters reserved to the UK Parliament. The administrative responsibilities of the Scottish Office functioned as a framework for the new responsibilities of the Scottish Parliament (Scotland Office, 2013; Stuart, 2009). The first democratically elected Scottish Parliament was set up in 1999 (Scotland Office, 2014b).

As a result, the UK is an asymmetrically decentralized unitary state with three devolved governments: Scotland, Northern Ireland and Wales. Although the UK parliament has absolute sovereignty, Scotland has its own legislative powers, despite the lack of a formal positive list of devolved powers. The devolved powers are those powers which are not specified as reserved powers of the UK parliament (Committee of the Regions, 2014). The UK Parliament legislates in reserved areas in Scotland, matters which are listed in the Scotland Act, and may also legislate on devolved matters because it remains sovereign. However, the Sewel Convention establishes that the 'UK will not normally legislate in

relation to devolved matters in Scotland without the consent of the Scottish Parliament'. The UK government is responsible for defense, foreign affairs, economy, social security and the constitution (Scotland Office, 2014b). The UK has thus reserved powers in international relations, including foreign trade except for observing and implementing EU and European Convention on Human Rights matters. Also important reserved powers in relation with trade policy are competition, monopolies and mergers; law on companies and business associations, insurance, corporate insolvency and intellectual property; regulation of financial institutions and financial services; the regulation of certain professions; employment legislation; most consumer protection; data protection; transport safety and regulation; etc. (Committee of the Regions, 2014). The Scottish government has jurisdiction over health, education, justice and policing, and the local government (Committee of the Regions, 2014; Scotland Office, 2014b). In addition, it has also devolved powers in economic development; agriculture, fisheries and forestry; environment, etc. (Committee of the Regions, 2014).

This division of responsibilities between the UK and Scotland is not fixed, and has changed several times since the devolution began in 1999. Most recently the Scotland Act 2012 transferred new financial powers to the Scottish Parliament, enabling it to raise its own taxes (land, landfill and income tax) coming into full effect in 2016, set the drink-drive limit, ban air weapons and set the national speed limit (Scotland Office, 2014b). The financing of local governments in the UK remains relatively centralized. Scottish local government revenue is composed of 10.4% autonomous taxation, 10% shared taxation, 59.9% grants and 20% other sources (including 11% sales, fees and charges) (Committee of the Regions, 2014). In 2014, another referendum was held on the question whether Scotland should be an independent country. In the aftermath, the UK and Scotland are now looking at where cooperation could be increased and where more autonomy could be devolved to Scotland.

3.2 Scottish interests in the EU's external trade policy

Scotland has a rich trading history dating back to medieval trading links with Ireland, Scandinavia and the Baltic countries and its central role in the British Empire (Lidell, Marsh, Nicol, & Wakefield, 2014). Within the global context, Scotland is a small market with relatively slow domestic growth forecasts (Neilson, Wilson, & Paterson, 2011). The figures above present the export and import numbers from 2007 until 2013. These numbers include all sectors of the economy, except North Sea oil and gas activity (Lidell et al., 2014).

There is a great difference between the three regions and England. England has a huge overweight in the trade numbers over Scotland, Wales and Northern Ireland. England accounts for a total exports volume almost ten times the size of Scotland, but of the three devolved governments, Scotland exports the most (see Table 5 on p.78). It exports 1,5 times more goods and services than Wales and about 3 times more than Northern Ireland. Scotland accounts for 6,8% of all UK exports, while England accounts for about 73% of all UK exports²¹. The most recent published Global Connections Survey (GCS)²² shows that in 2011 total exports from Scotland, including international and to the rest of the UK, amounted to £69.45bn of which 66% were goods and services exported to other parts of the UK and 16% to the EU (Global Connections Survey, 2013; Lidell et al., 2014). 18% of Scottish exports go to non-EU countries.

Of Scotland's non-UK exports, the US was Scotland's top export country, followed by the Netherlands, France and Germany in 2011 (Global Connections Survey, 2013). UK-exports remained stable over the past years, rising slightly from 34% in 1999 to 38% in 2012. Exports to the rest of the world declined dramatically between 1999 and 2006, to stabilize around 16 or 17% between 2008 and 2012 (Lidell et al., 2014). The most recent figures, September 2014, tell us that the top five non-EU trading partners in this month are the US, Switzerland, China, Norway and Canada (HM Revenue & Customs, 2014b). The ratio of overseas exports to total turnover in Scotland is around 8% (Neilson et al., 2011).

The top five exporting industries in 2011 were food and beverages (whisky), petroleum and chemical products, computer, electronic and optical products, financial and insurance services, and business services. Looking at Scotland's international exports, this only accounts for 19.3% of GDP which is far lower than in most other similarly sized nations such as Denmark (53.4%), Norway (41.5%), Ireland

²¹ Own calculations.

²² GCS of 2012 will be published in January 2015.

(104.9%), etc. However, when including UK-exports, exports account for 55.9% of GDP (Lidell et al., 2014).

As for the numbers on import (see table 6 on page 79), England accounts for the most imports, almost 22 times the volume of Scotland. Of the three devolved governments, Scotland imports the most. The same holds for non-EU imports. Scotland imports for almost 3.8% of all UK imports, while England accounts for about 83% of all imports²³. The top five import partners for Scotland in 2014 are the US, Norway, China, Nigeria and the Netherlands. Imports from non-EU countries supply almost two-thirds of Scotland's imports by value. The top five commodities for import to Scotland in 2014 were machinery and transport equipment, mineral fuels and lubricants, manufactured goods, miscellaneous manufactured articles and, food and live animals (HM Revenue & Customs, 2014a).

The 'International Trade and Investment Strategy 2011-2015' of Scotland emphasizes the need of increased connections with international markets and competitiveness of Scottish businesses both in the domestic and international market. The competitive advantage of the Scottish economy lies in seven key sectors: research and innovation, energy, life sciences, creative industries, financial and business services, food and drink, and tourism. The goals for 2011-2015 are to increase international trade by having 30% to 50% more exporters, attract inward investment, and promote Scotland as an attractive place to do business and invest, learn, live and work in key markets (Neilson et al., 2011).

²³ Own calculations.

Table 5: Export numbers for the UK and its regions

Total exports	2007	2008	2009	2010	2011	2012	2013
United Kingdom	219.919	248.752	225.256	261.784	295.392	296.326	298.665
North East	9.576	11.293	9.629	11.913	12.624	12.907	11.578
North West	20.997	23.746	23.847	24.760	30.650	30.339	27.664
Yorkshire and The Humber	12.811	13.950	11.693	13.996	16.748	16.252	17.431
East Midlands	15.174	15.918	14.724	15.174	19.416	19.949	21.465
West Midlands	15.420	16.839	13.599	17.338	21.330	22.795	26.997
East	19.895	22.220	20.390	22.737	28.512	28.200	27.120
London	22.567	24.149	21.896	28.272	36.233	35.028	32.623
South East	33.494	40.031	38.108	41.857	44.960	43.448	41.834
South West	10.827	11.932	10.718	14.044	12.947	12.714	13.665
England	160.761	180.078	164.603	190.091	223.421	221.632	220.377
Wales	9.056	10.638	9.009	8.997	14.807	13.292	14.785
Scotland	13.690	14.266	14.968	14.823	19.717	20.035	20.663
Northern Ireland	5.469	6.187	5.142	5.245	5.910	5.627	5.985
Unknown	30.943	37.584	31.534	42.627	31.537	35.739	36.855

Table 6: Import numbers for the UK and its regions

Total imports	2007	2008	2009	2010	2011	2012	2013
United Kingdom	310.760	341.563	307.621	358.734	394.529	403.793	408.096
North East	7.629	9.118	7.024	9.270	11.513	9.246	8.302
North West	21.484	25.577	22.760	24.402	28.162	29.443	29.564
Yorkshire and The Humber	15.620	16.607	14.048	15.670	18.404	18.285	18.477
East Midlands	14.731	16.415	15.051	16.239	19.319	20.128	21.487
West Midlands	22.571	22.874	18.823	22.662	32.221	34.948	33.437
East	42.207	45.608	40.667	45.482	47.438	48.973	49.838
London	49.147	52.768	48.904	61.027	74.079	75.478	71.880
South East	69.496	71.270	68.240	75.289	89.769	90.425	89.371
South West	12.904	14.389	12.413	15.567	16.759	17.925	19.405
England	255.789	274.626	247.931	285.609	337.663	344.850	341.760
Wales	6.631	7.718	6.265	6.429	8.720	7.670	7.540
Scotland	9.790	10.266	10.761	11.261	13.196	14.828	15.168
Northern Ireland	4.851	5.562	5.014	5.209	5.773	5.690	5.821
Unknown	33.699	43.391	37.650	50.225	29.176	30.755	37.807

Source: UK Regional Trade in Goods Statistics, <https://www.uktradeinfo.com/Statistics/RTS/Pages/default.aspx>

3.3 The division of labor regarding trade policy

Regional actors

The most important Scottish government actor is the DG Enterprise, Environment & Innovation. The **Business Directorate's** EU and Trade Policy team (situated within the European Structural funds division) is responsible for strengthening the growth of the economy, increase the overall productivity across the economy, improve collaborative working partnerships through engagement with the business, consumer advocacy and trade union communities, local government and the broader public; develop and maintain high quality, efficient and responsive business support particularly through **Scottish Enterprise** (SE) and Highlands & Islands Enterprise (HIE) – the economic, enterprise, innovation and investment agencies (The Scottish Government, 2012). There are five people working in the EU and Trade Policy Team. There are cross-government groups on different issues, such as procurement, health services, lawyers, IP. The coordination is done and direction is given by the unit on trade policy. Three times a year they meet, but they communicate mainly via email. A core team of three persons work most of their time on TTIP and a little bit on other trade agreements. The EU trade policy group provides a sense of direction, but mainly coordinates across governments. They had only been doing it for 8 months at the time of the interview (beginning of 2015).

Scottish Development International (SDI) is the trade and investment international arm of the Scottish Government, and fully integrated with SE and HIE. SDI provides support to Scottish businesses that want to trade internationally and to inward investors wishing to invest in Scotland. SDI has a network of 41 offices in 19 countries, and they have full access to the 150 UK Trade & Investment offices (Wilson, 2014). The Brussels-based Scotland Europa – part of SE – handles the representation of SDI to the EU. **Scotland Europa** promotes the Scottish interests with the European institutions and the representatives of the regions and member states. Scotland Europa is a member organization with a diverse partnership of public authorities, businesses, local governments, trade unions and education and voluntary organizations (Scotland Europa, 2013). The Scottish Government as a whole is represented to the EU through the Scottish Government European Union Office. The Scottish Government European Union Office works on EU policy that has an impact in Scotland, identifies opportunities for engagement and promotes the Scottish interest (The Scottish Government, 2014).

UK actors

The most important UK government actor is the **Department for Business Innovation and Skills** (BIS). The Secretary of State for Business, Innovation and Skills, Vince Cable, is the lead on trade policy. The Minister of State for Trade and Investment, Lord Livingston, is responsible for promoting trade by supporting British businesses to increase productivity and compete in the international market; and reducing the impact of regulation by cutting the amount and simplifying of regulations (Departement for Business, Innovation & Skills, 2014). This Minister sits in both BIS and to the Foreign and Commonwealth Office, as his role was originally created because of UK Trade and Investment. The Trade Policy Unit, mainly situated in BIS, employs people from the **Department for International Development** as well as from the **Foreign and Commonwealth Office**. About a year ago, they incorporated three persons from the Foreign Office, joining the people from different ministries with a main focus on trade within the unit. The reason to include the Foreign Office is that they feel they have to campaign internationally to keep trade liberalization on the agenda. The Department for International Development is included from the perspective that trade liberalization leads to a win-win situation for both the EU and the developing countries. BIS fulfils partly a coordinating role based on what business and NGOs are saying, their own economic analysis and what (other) ministries are saying, in order to form a government wide position on trade policy issues. First of all, on policy dossiers, BIS brings information together as to define a position, after which they (try to) get this position cleared by the British government. In addition, BIS has a more 'esoteric' task, which is reflecting on what trade policy should be like in the long term. Third, BIS focuses on more cross-cutting issues relevant to the British government. One example is the issue of competence, which is very sensitive to the British government, and where BIS watches over possible transfers of competences to the EU-level. They keep a close eye on mode 4 of services (migration) for example, in light of the Singapore FTA text that will be scrutinized by the Court of Justice. The Trade Policy Unit employs about thirty-five up to forty officials, seven of which working for the Bilateral and Regional Trade Negotiations Team (where officials have a geographic focus). Other teams in the Trade Policy Unit are specialized in certain issues (services, ...). Most people work on policy and/or negotiations; five to six persons (from the twelve people from International Development) are working on programs (with developing countries). Only three members of the bilateral and regional negotiations team come from the Foreign Office. The Trade Policy Unit follows up the Council's Trade Policy Committee meetings (at all levels).

The Trade Policy Steering Group, is the main coordinating body that joins directors of most key policy departments, the UK Permanent Representation in Brussels and in Geneva. At the lower level, there is a constant engagement of the Trade Policy Unit on what that group has tasked, the Cabinet Office follows it quite closely.

In addition, each Ministry is ‘expected’ by BIS to have their own staff focusing on the trade aspects of their specific sector. The Treasury, for example, has the lead on financial services and as a wider issue macro-economic policy. Yet, some ministries engage more than others, not all put many resources into the trade aspect. The Trade Policy Unit holds fortnightly meetings with colleagues from across White Hall on all negotiations (where each negotiation is discussed for five minutes), with a separate fortnightly meeting for the TTIP negotiations (due to the big importance attached to the US market).

UK Trade & Investment (UKTI) is the government agency responsible for the provision of support and assistance to new and existing exporters of goods and services and outward investors, and promoting the UK and all its constituent parts to foreign direct investment. UKTI has offices in more than 100 countries, of which one in Belgium (UK Trade & Investment, 2014). It is jointly owned by the Department for Business, Innovation and Skills and the Foreign and Commonwealth Office. BIS does not engage with UKTI on trade policy development, as UKTI focuses on promotion, yet information does flow between the two actors. The Trade Policy Unit and UKTI have recently and jointly decided to appoint a ‘trade champion’ in the local UKTI offices, and have encouraged the regional economic development agencies, such as Scottish Enterprise to follow this lead. The trade champions, even in the other organizations, will receive information on trade negotiations and will therefore be able to communicate to firms on this topic.

The **UK Permanent Representation to the EU** represents the UK in negotiations that take place in the EU. They promote Britain's interests to other member states and the EU institutions issues such as trade, foreign affairs and the economy (UK Government, 2014). The permanent representation has a trade team of 3 people that focuses on EU trade policy, it cooperates very closely with the Trade Policy Unit. At the moment of interviewing, two of the representatives come from BIS, one is from the Foreign Office.

The **Scotland Office** is the key body through which Scotland can represent its interests within the UK government. It ensures that the UK government hears the voice of Scotland in reserved matters such as foreign trade. The policy division advises the UK government on the actual or potential impact of UK policy in Scotland (Scotland Office, 2014a).

3.4 Analysis

Expectation 1: Regions act either as transceiver, collective principal or one of multiple principals

Scotland as transceiver

Scotland does not have any formal powers over trade policy, a reserved matter to the Westminster government. Therefore, the devolved authorities cannot veto any type of decision, not even by joint cooperation. That being said, the Scottish government is active on trade policy, even if the region only recently started following up trade negotiations in the run up to the referendum. The idea was that if Scotland were to be independent, they would also have to take care of this policy area. In addition, and as was true for Hesse, due to the US being the largest non-EU export market for Scotland, and even being a country with historical ties to Great Britain, the amount of attention paid to it by the media and even the public, the Transatlantic Trade and Investment Partnership has caught the eye of Scottish actors.

Most of Scottish attention (up to 70-80 per cent) is geared toward TTIP, and the government actors are mainly trying to understand and push forward a number of issues on key sectors. The health issue around TTIP has dominated. Health services are a devolved issue, and the Scottish public model stands in stark contrast to the English private model. This leads to a certain conflicting interest in trade. Another example would lie in the field of agriculture policy. The Scottish government has for a large part been trying to clarify how trade agreements apply to member state's devolved administrations.

In the Joint Ministerial Committee, and the TTIP working group, the devolved administrations are present. The working group is quite open to officials. The devolved administrations, Scotland in particular, can thus, by way of their status, engage in discussions on matters that are strictly not of their competence. They get information from Westminster on what the UK ministers are saying, what their positions are, and even on what is happening in other member states, how the UK Foreign Office contributes, etc. Endorsers are not in a position to use this channel, nor will they be likely to obtain this information (as easily). This demonstrates the relevance of the transceiver concept. Furthermore, Scotland receives certain information on the private sector and can transmit this to the UK actors – along the private sector transmitting itself that information, they see it as an addition if the Scottish government pushes for their case as well.

H2: The stronger the region's formal role within its member state's decision-making procedures, the higher its capacity to exert control.

H2c: A region acting as transceiver, has a low capacity to exert control over the negotiating agent.

One can speak of a low amount of control for Scotland, acting as a transceiver, and with the qualification that this mainly counts for the TTIP-negotiations. The region cannot place topics on the agenda, merely suggest them. They can propose actions but have no way of knowing whether the agent will execute them and cannot refrain the agent from taking actions.

Scotland has no formal veto like Flanders, nor does it have a collective veto with the other devolved administrations, such as Hesse. The region, however, is starting to spend more time on trade policy, and can benefit from the government's coordination channels in order to obtain information – to a higher extent than expected. For this, we need to take account of the impact of the independence referendum, the UK government's promises, and that the national actors are trying to accommodate to the devolved administration's question of getting more included in trade policy issues. However, apart from TTIP, Scotland's control over EU negotiations is extremely low at the moment in which the research was executed. The UK officials working on trade negotiations (that do not include TTIP specifically) had not really been in touch with Scottish officials. Westminster ultimately decides on a final position, and does not have to take into account Scottish input, they are aware and are open to hearing Scottish officials' opinions. Scotland, like the other regions, suffers from a lack of input to gain a comprehensive overview of its economic interests.

5. Conclusion part II

The different institutional structures of the countries studied have an impact on regions' capacity to exert control over EU's trade negotiations. I found variation in the amount of constitutionally granted competences between the three regions. It affects their capacity to exert control and their interest in doing so.

Flanders is the region with the highest amount of control relative to the other regions. The region's position as one out of multiple principals has an effect on the region's capacity to control. The region became active after striving for competences and realizing that it had a role to play due to the 'in foro interno, in foro externo' principle and due to the fact that international trade negotiations started to include more and more policy topics. Flanders can be one out of multiple principals, for certain trade related policy issues, and even veto a decision on its own (it does not have to convince Wallonia first), and jeopardize the position Belgium can take in the Council of Ministers and TPC meetings. The information-asymmetry is larger between the ultimate agent and principals for the case of Hesse and Scotland than for the case of Flanders. Flanders receives information from TPC meetings directly. It can follow the texts even on matters not directly related to its competences. Therefore, the region is more aware of the internal EU-discussions than the other two regions.

The Flemish representation engaged in a few targeted actions towards EU officials of DG Trade and even the Trade Commissioner, but on the request of endorsers and in a joint effort with the FPS Foreign Affairs. Within the Flemish representation nobody is really tasked with the follow up of trade policy. The proximity of the Department International Flanders could explain this, as it is also located in Brussels. Nevertheless, this picture has to be qualified by the fact that for many issues and cases, Flanders lacks input from the private sector in order to be capable to define a regional interest. The region has quite good access to the top down information and can impose a veto on the Belgian position in many cases – but often is lacking precise information from the private sector, in order to define its own regional interests. At times, Flanders remains unaware of the regional interest and does not push forward a position in the negotiations. The region is therefore not maximizing the opportunities it has as one out of multiple principals, and hence the extent to which it could exert control. It becomes clear that more is needed, regions need to gain bottom up information in order to define a position.

Scotland and Hesse both have a low capacity to exert control over the EU negotiations. The reasons behind it are different however. Hesse is part of a collective principal, but having to agree with fifteen other Länder on ratification does decrease its capacity to really hold back an agreement. Hesse discovered the EU's trade policy after a few high level anti-dumping cases or investigations and is now interested mainly in the Transatlantic Trade and Investment Partnership as the US is an important trading partner for the region. Hesse too, has an office in Brussels, but only marginally working on trade.

Even if the regions in Germany have a say, as part of a collective principal, their capacity to control is much lower than in the case of Flanders, where the region only has to convince one other region and the federal authorities. It is much more difficult to reach a common position between a large number of regions. The way to ease things here, is by picking battles, by informal approaches and contacts, and by finding coalition partners. The way to structure these coalitions and informal contacts is done in Hesse by way of the party and by looking at interests. Hesse receives information on the negotiations in the TPC via the federal level. As this information often already contains a position, and aims to convince the regions of that position, it would be difficult for Hesse to check this information to what really happened in the TPC. This also counts for the Scottish case. Hesse, however, trusts that when the same party/parties rule in the Hessian and federal governments, there will be no actions against its interests. In addition, it is generally in favor of more market access and follows the EU Commission's actions.

Scotland on the contrary has no veto at all, not even in coordination with other devolved administrations. Scotland, not being in the position of a principal, can still participate in coordinating work groups on TTIP and trade negotiations organized by the UK Department for Business, Innovation and Skills. As a transceiver, it has greater access to information than endorsers, which demonstrates the usefulness of the transceiver-concept. Due to its powers in other policy fields, it can make use of the intra-state coordination mechanisms to obtain information. For example, it could request information about the positions of other member states in the TPC, something EU lobbyists find the hardest to discover (see part II). Scotland became active anticipating the possibility of independence, and because the US is a crucial trading partner. The UK has an asymmetrical structure, there are fewer regions with devolved powers and Scotland shows the most interest in trade negotiations. Therefore, if the region has something to say, its voice will be heard. Due to Scotland's focus on a number of key areas, it can have input on those areas. Moreover, the representation office has had meetings with the EU Commission, which means that it can obtain information directly from Brussels. The Scottish actors mentioned that they do not lobby the

Commission directly in order to influence trade negotiations, but a ‘slip of the tongue’ is always possible during one of those conversations with the EU Commission.

Whereas at first sight it seemed that formal powers seemed to determine the policy fields on which regional actors become active, other factors can trigger a region’s interest. The Transatlantic Trade and Investment Partnership has caught the eye of regional authorities throughout Europe. One reason is the attractiveness of the US market and the sheer size and potential impact of a transatlantic agreement. The general salience of the negotiations certainly contributes to this as well, as does the attention paid to them by societal actors and the media. Another possibility, are internal dynamics within member states, such as independence tendencies and aspirations of regions, as was the case for Scotland. Not only the fact that the US is one of the most important markets for Scotland, but also the referendum triggered an interest in trade negotiations. Scotland’s realization that if the region was to become independent, it would also have to keep track of trade policy. In any case, not only formal positions matter, regions must also be able to bring something to the table.

The PA framework was useful in structuring the relationships between the public actors. However, it became clear during the research, that in this framework the main focal point of the information-asymmetry is centered on the top-down stream of information, the information on which the agent should have the highest amount of knowledge as it is the one performing the delegated task for the principal. The principal then can try to minimize the extent of information asymmetry by way of police-patrol monitoring and the fire-alarm mechanism of control. However, the fire-alarm is conceived of as societal actors that become active when the task is not executed to their interests. First of all, I would argue that the fire-alarm only increases the capacity to control of the principal, in case it is also located within the principal. In case the fire-alarm system is located within the agent, when someone pulls the alarm, it appears that the agent can immediately take action – while the principal may remain unaware and might be bypassed. The end result may be the same, but the principal may or may not be aware of the agent’s slippage. Second, the PA framework seems to start from an implicit assumption that a principal can (easily) determine her own preferences. When taking into account the difficulties the Flemish and other governments had in defining their interest, it becomes clear that this was not the case in practice. Apart from these limitations, the timing of interviews could have had an effect on the results. The hype about the Transatlantic Trade and Investment Partnership has sparked attention from regional authorities and activated them. It would be interesting to investigate in future whether the regions remain that active, or whether some go back to sleep. Last, the findings could be checked on their generalizability, as at the moment, this remains limited.

In the end, the way in which regions organize their control over EU external economic policy remains very limited, due to a limited amount of resources spent to the policy area. In addition, endorsers barely contact the regional governments on matters of trade policy. The Flemish Department for Foreign Affairs does not formulate a Flemish position unless when an issue is brought up by an endorser or a specialized ministry, or when an administration notices a stipulation would be incompatible with regional regulation. One can ask how much representation of the whole array of Flemish economic interests is performed in the end, if few preferences are revealed and Flanders often has no position. The act of monitoring may be rather symbolic, or to keep up appearances, as often the economic interests at stake remain under the surface.

In order draw more solid conclusions, further research seems warranted on the role of endorsers. The analysis of Flanders, Hesse and Scotland has revealed that there is variation between regions engaging in monitoring of EU trade policy, even though the stakes and demands for political autonomy are high. The analysis has also revealed that the provision information by firms and economic interests exerts a decisive influence on whether (regional or national) are able to exert control. This raises the question whether endorsers target the European Commission agent directly and even exclusively, feeding the information asymmetry between agent and principals further. This would reveal the limits of PA analysis since the assumption is that a fire-alarm mechanism at the level of principals alleviates information asymmetry. It would also call for further research into the question which level of government constituency interests target and why.

Part III

Multi-level lobbying on trade

negotiations:

firms, targets, strategies

EU domestic decision-making on trade negotiations is marked by a complex pattern of interactions at multiple levels. On the one hand, public actors at several levels coordinate²⁴. On the other, societal actors try to filter their input into the process. Research on coordination of public actors at regional, national and European level was conducted as a first step to uncover the interplay of decision-making on EU trade negotiations. This part explores how firms obtain information on trade negotiations and how they represent their interests. In part II on public actor coordination or more specifically on regional control over the EU external economic policies, I found that the regions of Flanders, and to a lesser extent Hesse and Scotland, are monitoring the negotiations of Free Trade Agreements that the EU concludes with third (non-EU) countries – despite a partial lack of knowledge on economic interests. Whether or not firms and interest groups have a clear contact point to communicate their interests should have an effect on regional control over EU external economic policy. The previous part on Flemish public actors' monitoring of EU FTAs has revealed that the information provision by firms and economic interests exerts a decisive influence on whether regional or national authorities (as principals) are able to exert control over the European Commission negotiator (as agent). The mere existence of a clear contact point (as fire-alarm mechanism) does not entail that firms will make use of it, as it has been observed that these actors are not heavily lobbied by the private sector. This stands in contrast with research focusing only on the lobbying that has been observed at the national, but especially at the European level in matters of trade policy and that assumes there is no lobbying deficit (see for example Beyers & Kerremans, 2007; De Bièvre & Dür, 2005; Dür, 2008, 2010; Eckhardt, 2011). Why this difference? Why do firms (not) lobby certain levels of government (more specifically the regional level)? By trying to answer the question above, I need to address the following two questions: which level (regional, national or European) do firms target in their lobbying on trade policy? Do they target one level or several? Do they do this directly or do they work through an association, and why? In order to find out, more information is needed on firms and the associations representing them, and the targets that they choose in their lobbying strategies. Firm and sector characteristics are expected to have an effect on the levels that are targeted. I argue that firms in highly concentrated sectors more likely will target multiple levels of government and will lobby directly. Small firms or firms operating in less concentrated sectors are expected to lobby at one level, the level at which they are used to lobbying, and to work via associations. Lastly, it is in that case expected that those national associations filter the input from the smaller firms to the associations at EU-level.

²⁴ I would like to thank research assistant Evelien Willems for help on executing the preparatory empirical analysis, identifying potential firms, contacting respondents and co-conducting the interviews. I was able to conduct a much more ambitious project than initially planned, which remained viable thanks to her assistance.

6. Research Design

In the literature on trade policy mobilization, political economists have attempted to delineate societal (business) preferences, more specifically the groups who should favor and oppose protection or liberalization and the conditions under which they may be most influential. The Heckscher-Ohlin trade model argues which distributional consequences trade liberalization would have on abundant and scarce factors within a country. This could explain the mobilization of such factors. This literature has mainly focused on who mobilizes, under which circumstances, which ones are the offensive and defensive interests, and the role of the expected benefits and losses of trade liberalization, ... (see for example Crystal, 2003; Nelson, 1988) In this paper, I try to connect the more political science oriented strand of the literature with insights from the literature on interest representation in the EU and the literature on EU trade policy lobbying in order to answer the following question:

At which levels do firms lobby on EU trade negotiations, and why? Do they lobby directly or via associations, and why?

The idea of an exchange between the government and those representing interests, where both parties have something to offer to each other forms one of the basic starting points (as developed in Bouwen's (2002, 2004) theory where access goods are provided by private interests in exchange for access to the institutions). As much of the literature centers attention on the actions of interest groups and of sectors or industries, not necessarily only of individual firms, this difference in level analysis was taken into account when deriving theoretical expectations. Where firms are expected to behave differently than interest groups or sectors, the theoretical expectations are transformed to fit for firm behavior.

To unravel the picture of firm lobbying at multiple levels, I discuss the following three relevant characteristics that may affect lobby-decisions: the concentration of a sector in relation with the perceived probability of success, the size of a firm, and the role of continuity: a firm may target a certain level, because it is used to targeting that level for other issues and simply goes there for all issues, or because it was successful in its lobbying at that level in the past.

In order to draw expectations on the level(s) that firms target and the order of preference, I first draw expectations on whether firms target only one or several levels. In case of several levels, I want to find out which levels they contact and in which order of preference. So first, I always ask the

question of how many levels they target, in order to be able answer the real questions: which specific levels do they target, and why. Based on the expectations outlined above, I then formulate expectations on the strategy used by firms. Which ones work directly and which ones work indirectly?

Before moving on to the theoretical explanation in the next section, I make one basic assumption explicit. It is assumed that firms have a preference towards targeting the legally competent level over trade negotiations, as they operate from a cost-efficiency point of view. Lobbying multiple levels is not likely to be a goal in itself. Only in second order can firms be expected to lobby at multiple levels, when they feel there is a need for it. For example, when lobbying at one level alone does not produce any result or not the desired result. For this reason hypotheses on the preference order of targeting each level will be drawn, as a firm will not contact a second level if not deemed necessary. Only then can one reasonably draw conclusions about which characteristics drive decisions on the type and number of governance levels firms target.

1 Sector concentration & the perceived probability of success

Firms operating in highly concentrated sectors form a small group, which implies that they can more easily overcome collective action problems (Olson, 1965). Sectors with a small number of large corporations have the greatest potential to lobby directly. Where these sectors are very small, and where the association is small and the majority of companies is large, and hence the sector is concentrated, a high level of direct lobbying occurs (Bennett, 1999). Market concentration is an important aspect in a firm's incentives to lobby and will, hence, also affect the levels they target. Hansen & Park (1995), for example, look at concentrated industries and argue that these are more likely to receive protection than less concentrated industries. Concentrated industries with a handful of dominant firms will be more effective in obtaining protection than industries with many small firms, because they have fewer free rider problems, more opportunities to reach a consensus, and fewer communication problems among members. Consequently, they may be more organized and better at pressuring policy makers. (p. 185)

As my main level of analysis is the individual firm, why would this sector characteristic have an impact on firm lobbying? Firm behavior is influenced by the firm's perception of the likelihood of success of its lobbying actions. A firm in a highly concentrated sector, with only two other firms for example, may feel the government will listen as the firm in itself represents a third of the whole sector. A firm in a highly dispersed sector may not be inclined to lobby at all, as it is only one out of many players. Therefore, it may expect that the doors of decision-makers will remain closed. Indeed,

why would they listen to a player that is far from representative for the wider sector? A firm's expectation about the probability of lobbying success therefore matters in its decision to invest in lobbying.

Market concentration may vary across levels, even in the same sector. A sector may be lowly concentrated at the EU-level, but highly in an individual member state or region. A firm in a sector concentrated at EU-level, will be inclined to target that level. The EU is competent over conducting the trade negotiations, and the sector will perceive its chances to be heard high as it represents a big chunk of a sector. Furthermore, as the firm is a player at EU-level, it will also be able to go down to the national and/or regional level. In case the sector is geographically concentrated in a country or region, the firms will lobby those authorities in that specific country or region on top of the EU authorities.

Based on the level of concentration of a sector, I could already start drawing certain expectations. However, importantly, Bennett (1999), in his study on business lobbying to the EU-institutions, mentions that 'company size interrelates with the form of the sector in which the company is located, particularly its level of concentration'. This means that concentration of a sector should be discussed together with the size of firms, which is not so surprising if we know that highly concentrated sectors will often consist of a few large firms, and sectors marked by a low degree of concentration will often consist of a wide array of smaller firms.

2 Firm size & the cost of lobbying

According to Bernhagen & Mitchell (2009), 'firms become significantly more likely to take up political activity in Brussels the bigger they are' (p.171). Bennett (1999) has observed that direct influence in Brussels is more likely where associations cover large corporate businesses, in sectors with a high degree of market concentration with large companies, and where their associations have a small number of members. Firm size matters therefore. Larger firms have more resources that they can spend on public relations. 'Smaller actors have to rely on collective action to be able to undertake political action at different levels. Participating in collective action is less resource-intensive than undertaking individual political action' (Bouwen, 2002, p. 374). Nonetheless, companies with an extensive presence or interests in markets abroad (as Manger (2009), Woll (2008) and Siles-Brügge (2011) suggest) have a much stronger incentive to lobby on trade negotiations.

Lobbying is a costly activity for firms, it requires an effort and the necessary resources. Firms will only engage in lobbying actions when they expect a certain amount of success. Because a huge effort

is required for achieving access (certainly when employing a multi-channel strategy), in the literature on interest groups, some authors argue that resource rich groups achieve better access to institutions (e.g. Coen & Richardson, 2009; Dür & Mateo, 2012), whereas others have found that simply the amount of resources is not the main determinant of lobbying strategies of interest groups (Beyers & Kerremans, 2007). Rather, the latter stress the role of critical resource dependencies, which may tie interest groups to the level from which they obtain most of their resources. These authors argue that even with enough resources, interest groups may keep lobbying at the national level when they are well embedded in the domestic representational system. Beyers & Kerremans (2007) show that critical resource dependencies play a crucial role in interest associations' networking behavior towards multiple levels. They analyze where several types of interest associations get their resources from, and see whether correlations exist with the levels they target in their lobbying (and they do). One main reason for their investigation of critical resource dependencies is that most interest groups are not self-sufficient and get public funding (Beyers & Kerremans, p. 264). I assume the majority of firms, however, are self-sufficient and get their resources mainly from economic activities. The other possibilities, getting resources from members do not seem to be applicable to firms, but firms can get subsidies from the government to provide support for developing activities abroad, for R&D, ... It is very unlikely the government would grant subsidies to companies in order to lobby. That being said, it could happen that a firm is highly subsidized and has an extra incentive to lobby on trade policy and/or trade negotiations, but only in a marginal number of cases. For now, based on the size of a firm and the concentration of the sector in which it operates, I draw the following expectation on whether multiple levels are targeted and on the order of preference of which level will be targeted:

Expectation 1: Large firms in highly concentrated sectors lobby at multiple levels.

Expectation 1a: Large firms in highly concentrated sectors target the EU-level first, and in second instance the national level.

Expectation 2: Smaller firms or firms in less concentrated sectors lobby at one level.

On whether the firms will lobby directly or through associations, I can now hypothesize the following.

Expectation 3: Large firms in highly concentrated sectors lobby directly.

Expectation 4: Smaller firms or firms in less concentrated sectors lobby indirectly via associations.

Even though large firms in concentrated sectors may also be members of associations, and lobby via them, I expect them to lobby directly as well. They could lobby only on their own, or pursue a double strategy (direct lobbying and via associations).

These expectations stem from economic theory on mobilization of firms/sectors - firms in a highly consolidated sector are more likely to mobilize and overcome collective action problems. In addition, it adds the aspect of multilevel governance. While if government officials have nothing valuable to offer to interest groups, these organizations will not engage in political activities.

Now, in order to identify at which precise level the smaller firms or firms in less concentrated sectors lobby, I need to look at other factors than the characteristics that mark the firm and the sector in which it operates.

3 Continuity

Firms lobbying on trade policy may also lobby for other issues. It is likely that they simply contact the same level of government for all their policy preferences, either because this is the level where they (can expect to) realize most of their policy preferences (besides the ones on trade policy), or because they are used to lobbying at that level. Interest groups tied to policy sectors where EU competencies are weak or non-existent and where most benefits are realized by national governments are less inclined to Europeanize, because they are still able to realize many of their political goals at the domestic level (Beyers & Kerremans, 2007). The authors pointed to the importance of policy fields and the fact that interest associations may lobby at the level where they can reach most of their policy goals. Beyers (2002) demonstrated that the Europeanization of network strategies of domestic interest groups follows a cumulative pattern. In general, networking among domestic interest groups prevails and seeking access to national officials, especially the national government, is crucial. Only after the establishment of domestic networks do interest groups start to extend their networks to the European level. In short, this leads to the expectation that as the national level or regional level is important to firms on other policies, firms contact that level as well on the topic of trade negotiations. The underlying causal mechanism for contacting the same level can be related to habitual behavior or to the experience of past success. Hathaway (1998) argues that when industries obtained success in the past in their demands for protection, this constituted an incentive for them to try again in the future. As mentioned before, it is expected that smaller firms or firms in non-concentrated sectors target one level in their lobbying on trade negotiations. I expect firms target the same level for all their issues, and the national level is most

likely the level at which they already lobby most for other policies. I can therefore hypothesize the following:

Expectation 2a: Smaller firms or firms in less concentrated sectors lobby at the same level where they are used to lobbying for other policies, being the national or regional level.

If I combine this expectation on the lobbying at the national or regional level, with the expectation that smaller firms or firms in less concentrated sectors will lobby indirectly through associations, I can also specify expectation 4:

Expectation 4a: Smaller firms or firms in less concentrated sectors lobby via the national associations, which then communicate their interests to their EU-federations.

4 Summary of the Expectations

In short, in order to answer the questions at which level(s) firms lobby on trade negotiations, whether they lobby directly or via associations, and why, I drew my expectations on the basis of three characteristics: the level of sector concentration in which a firm operates, the size of the firm, and the continuity of the lobbying operations.

On the number of levels targeted, and on the preference order, I expected:

Expectation 1: Large firms in highly concentrated sectors lobby at multiple levels.

Expectation 1a: Large firms in highly concentrated sectors target the EU-level first, and in second instance the national level.

Expectation 2: Smaller firms or firms in less concentrated sectors lobby at one level.

Expectation 2a: Small firms or firms in less concentrated sectors lobby at the same level where they lobby for other policies, being the national or regional level.

On firms' lobbying strategy, more specific on direct lobbying or indirect lobbying via associations, I formulated the following hypotheses:

Expectation 3: Large firms in highly concentrated sectors lobby directly.

Expectation 4: Smaller firms or firms in less concentrated sectors lobby indirectly via associations.

Expectation 4a: Smaller firms or firms in less concentrated sectors lobby via the national associations, which then communicate their interests to their EU-federations.

5 The Dependent Variable: Firms' options in multilevel lobbying

A firm may decide to target the regional, national and EU-level for their lobbying actions. I identify the following options that a firm can contact to represent their interest, with a combination of several options as a possibility. A firm can contact multiple levels, solely one level, or no one at all.

Firstly, there are three levels of 'targets', namely the regional, national and European government authorities. First of all, there are the firms that do not lobby. I call them the 'latent interests', following Mancur Olson (1965). Second, there can be firms that target one level of government only, the subnational level (the 'subnational oriented players'), the national level (the 'national oriented players'), or the European level (the 'European oriented players'). Third, actors can communicate their interests to several levels at once. If they focus their lobby efforts on targeting governments within a state at both the national and subnational level, I called them the within-state multilevel players, if they focus on the regional and European level, they are the regional Europeanists; whereas the ones I dubbed the national Europeanists focus on the national and European level. Fourth and last, firms may target all government levels at once, for now I call them the 'all-round multilevel players'. In table 7 all the possibilities (targets and strategies) are combined.

Table 7: Firm targets

	Regional	National	European
Latent interests			
Regional oriented players			
National oriented players			
European oriented players			
Within-state multilevel players			
National Europeanists			
Regional Europeanists			
All-round multilevel players			

6 Method

This dissertation has been conducted under the auspices of the Flemish Policy Research Centre on Foreign Affairs, International Entrepreneurship and Development Cooperation. Originally, a team of economists was going to calculate the export potential of Flemish firms. It would have been possible to match the export potential of all firms to data on the mobilization of interest groups in Flanders/Belgium, and to analyze how the two relate. Unfortunately, the economists could not obtain the firm-level data, making it impossible to build upon their work. Therefore, a qualitative exploration into the motivations behind firms' lobbying on trade negotiations was conducted. In order to be able to investigate precise lobbying actions of firms, and to discover for what reasons they undertook certain actions, it is adequate to ask questions concerning specific topics in trade negotiations. Therefore, recently conducted or ongoing trade negotiations are picked as the central focus. The chosen negotiations are those between the EU and the US (Transatlantic Trade and Investment Partnership - TTIP), the EU and Canada (Comprehensive Economic and Trade Agreement – CETA), the EU and Japan, and the EU and South-Korea (KOREU). In those cases, interview respondents would still be able to answer promptly. Then, it was decided to look at a set of Free trade negotiations the EU has concluded or is discussing, and where it is plausible to expect that the firms in question to have lobbied on them. Therefore, the number of FTAs served the purpose of increasing the number of potential empirical observations – as a firm may be active only in certain foreign markets.

In order to uncover which firms and sectors have stakes in the trade negotiations, a preliminary analysis needed to be conducted to identify the issues that arise in those four sets of free trade negotiations.

This paper focuses on where, at which level, companies direct their lobbying efforts on trade policy, and on the reason behind it. To understand this complex process, taking place at different levels, and due to the exploratory nature of this research makes qualitative case studies useful to discover how the different firms each engage in activities to communicate their interests and why they do it in a certain way.²⁵ In the following sections, I first explain the preparatory empirical analysis, after which I explain the purposive sampling method used and the firms that were selected and contacted in the end.

²⁵ These paragraphs are based on Gerring (2007), George & Bennet (2005), Yin (1994), Eckhardt (2011), Rowley (2002)

7. Preliminary empirical analysis: issues in FTAs

In order to identify important issues and sectors in the four FTA negotiations, especially relevant to the ones with Canada and the US, I first did a thorough analysis of specialized media outlets, for which I received help of a research assistant. Having an understanding of all the issues in the negotiations, allows matching this to the firms that have an interest and should be aware of this. It allows to investigate the extent of information asymmetry between types of firms, and discover the firms that are unaware but have an interest in the negotiations, or that are aware but do not act upon their interests, the so-called ‘latent interests’ (Olson, 1965). To find the important issues that are under discussion, I could make an estimation based on my own readings and knowledge on the negotiations. However, in order to make the classification external to the researcher’s personal estimation, I decided to conduct a word frequency analysis on articles from specialized trade media sources. The underlying idea is that the more often an issue is mentioned, the more important and relevant to the discussions in the negotiations it can be considered.

The result of the preliminary empirical analysis served as a guide towards finding relevant interview respondents, and identifying precisely the extent to which they were knowledgeable on the negotiations. First, information was gathered on the state of each of the negotiations, and looked at the following sources: World Trade Online / Inside US Trade, websites of the EU Commission, the European Parliament, and position papers from stakeholders. Most of the information, especially on TTIP, was gathered from Inside US Trade / World Trade Online, a US-based specialized website on trade policy. This website is the best source for monitoring negotiations as it goes into detail, and is much more thorough than other media. The main goal was to identify the issues that were contentious and important in these negotiations, and to have an overview of the timeline of negotiations.

1. Identifying the issues (and sectors) in the Negotiations

1.1 Gathering of media-sources

To discover the most relevant (i.e.; most debated or contentious) issues in the negotiations, all relevant articles of Inside US Trade / World Trade Online were gathered. Although this is a US-

focused news outlet, this is a source of remarkably high quality. No other source is as detailed in trade politics. The documents provided on the news site are various: self-written articles by the redaction; Commission, Council and EP documents such as press releases, memo's, resolutions, position papers and press releases of stakeholders; lists and positions of stakeholders that participated in a consultation, meeting or briefing; official documents of the other negotiating government; leaked negotiating documents and adopted final texts; think tank reports; reports published by the House of Lords and other national parliaments, etc. A sufficiently large amount of documents for TTIP and CETA were obtained right away. For Japan and Korea additional sources had to be consulted, as Inside US Trade alone did not provide enough documentation for the analysis. For Korea and Japan, Bridges News - the freely available news section of The International Centre for Trade and Sustainable Development, a Geneva-based NGO- and DG Trade's website provided the necessary documents. On DG Trade's website document searches and the news archive provided an additional 25 documents (which are mainly speeches of De Gucht, official Commission documents and press releases, and documents with regard to the public consultation and stakeholder meetings²⁶). Furthermore all the position papers of the stakeholders that participated at the public consultation and stakeholder meetings, published on the Commission website, were stored. This resulted in 33 documents.

The period covered for the documents starts at the first article published on the FTA, and ends with the last article published in the case of Japan and South-Korea, or on 31/10/2014 for Canada and the USA.

Table 8: Total number of documents stored for the different FTAs

FTA	Total number of stored documents
TTIP	1872
CETA	165
JAPAN	100
KOREU	117

²⁶ Civil Society Dialogue meeting on Services Provisions in Forthcoming US and Japan negotiations 24/06/2013, Civil Society Dialogue meeting on IP Provisions in forthcoming US and Japan negotiations 27/05/2013, Ad hoc meeting – Public consultation on future framework of EU-Japan trade and economic relations 19/10/2010.

1.2 Method of analysis

Three major steps were taken in the analysis of the texts. The first step entailed an exploratory limited manual coding in Nvivo of a number of articles for CETA (16) and TTIP (59) to gain a basic understanding of issues at stake in the FTAs. These coded texts were used to write a report on both FTAs. Second, after filtering out the most frequently used words in the various documents per FTA and manually picking out the relevant words (based on the results from the manual coding), Nvivo could present word trees in order to detect word pairs (words that are often used in each other's proximity) and then executed a text search query to find the frequencies of those word combinations. Third, groups of issue areas were defined in which all the 'concepts' could be placed, using the results of the text search query to see which issues were very contentious and which were less so. For more information on how exactly the word frequency analysis and text search queries were conducted, please consult Annex V.

2. The issues

With regard to the issues, more general terms encompassing broader topics showed up more frequently in the analysis than more specific terms (e.g. an umbrella term such as intellectual property was counted more often than the more specific issues it contains, like patents).

The topics mentioned most frequently in the **TTIP** negotiations, during the period analyzed, were in descending order: food safety (more specifically: sanitary and phytosanitary standards, US beef, the precautionary principle), regulatory cooperation, appropriation, ISDS, gas, market access, SPS (Sanitary and phytosanitary standards was so important as a specific topic it showed up in the lists between more general terms), oils, intellectual property (more specifically: geographical indications, rules of origin, patents), data protection, non-tariff barriers, technical barriers, a number of 'sensitive sectors' or issues that are relevant to certain sectors (financial services, auto and motor vehicles, machinery and equipment, transport equipment, audiovisual services, air transport, etc.), tariff barriers, terms related to goals of the agreement/public goals, and so on. For the full list of issues, see annex VI.

The most relevant issues in **CETA** were market access (especially for cheese), cross-border services, a number of sensitive sectors (financial, transport, business, insurance, legal, health and social services,...), regulations (on performance requirements, economic needs test, non-originating materials, commercial presence, rights and obligations, mutual recognition, terms and conditions, ...),

dispute settlement (investor-to-state, fair and equitable treatment, treatment of investors, dispute settlement mechanism, ...), intellectual property rights (protection or enforcement of intellectual property), natural or legal person, rules of origin, investment (foreign investment, investment services, covered investments, investment protection, ...), most-favored nation obligation, environment issues, and so on (cfr. Annex VI).

The analysis for the **KOREU** negotiations resulted in the following issues: market access, the entry into force, safeguard measures (safeguard clauses or regulation, Korea-specific safeguard regulation, provisional safeguard measures, safeguard investigation), regulations (non-tariff barriers, vehicle safety standards, regulatory issues, Korean safety standards, provisional application, technical barriers or regulations, automotive non-tariff barriers, sanitary and phytosanitary, automotive standards or provisions, regulatory barriers, approval process, non-tariff measures), tariffs and duties (duty drawback, customs duties, import duties, tariff lines, tariff elimination, percent tariff, duty free, etc.), rules of origin, sensitive sectors (auto industry, agricultural sector, auto and motor vehicles parts, financial services, consumer electronics, industrial and agricultural goods, dairy products, legal services, parts or components, food products), environment (Korean regulations for greenhouse gas emissions standards, sustainable development, emission standards, climate change, etc.), transparency, equivalence, geographical indications (protection, cheese names, generic names), intellectual property rights, government/public procurement, competition policy, negotiation mandate, investment (foreign direct investment, dispute settlement mechanisms), etc. (See annex VI)

For the **EU-Japan** negotiations, the following topics popped up: market access (trade barriers), regulations (non-tariff barriers, technical regulations and standards, regulatory cooperation, mutual recognition, conformity assessment procedures, EU-Japan regulatory reform dialogue, ...), transparency, public/government procurement (railway procurement), intellectual property rights (protection, enforcement, infringements), investment (barriers to direct investment, foreign investment, protection, rules, investor-to-state dispute settlement, fair and equitable treatment, ...), tariffs and duties (customs procedures, tariffs on industrial goods, tariff rates, tariff peaks, tariff protection, ...), domestic service suppliers, energy and raw materials, sensitive sectors (electrical products, food and beverage export, financial services, food and drink, information and communication technology, dairy, pharmaceutical industry, railway and urban transport, manufacturing, automotive, telecommunication, construction, consumer electronics, technology industry, maritime transport, machinery and transport equipment, retail, leather, digital technology, chemical industry), labor rights and public health, competition policy (anti-trust, mergers and acquisitions, competition rules, etc.), economic integration and growth, negotiating mandate, rules of origin, human rights, safeguard clause, research and development, equal treatment of foreign and

domestic suppliers/national treatment, consumer preferences, import penetration, and positive list (see annex VI).

In sum, the document analysis allowed to identify an extensive array of issues and sectors in the four FTA negotiations. These results served as a guide towards finding relevant interview respondents in the next section on the sampling strategy, and to discover the amount of information asymmetry among different categories of firms by using the issues as benchmarks during the interviews.

3. Sampling strategy for qualitative research

In this section, I explain the sampling strategy for the choice of firms to be interviewed in depth. The newly gained knowledge on sectors that have issues at stake in the negotiations (identified through the preliminary analysis) was combined with a sampling strategy based on the above-mentioned theoretical expectations. This resulted both in theoretically suitable and empirically relevant interview partners. This means that the firms will be active in sectors with stakes in the Free Trade negotiations, or should have been.

For qualitative research, probability sampling is inappropriate, as it is impossible to know the probability of selection for each element. The sample is not intended to be statistically representative. Rather, ‘units are deliberately selected to reflect particular features of or groups within the sampled population, the characteristics of the population are used as the basis of selection. It is this feature that makes them well suited to small-scale, in-depth studies’ (Ritchie & Lewis, 2003, p. 78). There are several ways of sampling in qualitative research. The first one is criterion-based (a.k.a. purposive) sampling. For purposive sampling, ‘[t]he sample units are chosen because they have particular features or characteristics which will enable detailed exploration and understanding of the central themes and puzzles which the researcher wishes to study. (Ritchie & Lewis, 2003, p.78) The reason is to achieve two principal aims: the first is to ensure that all the key constituencies of relevance to the subject matter are covered. The second aim is to ensure that, within each of the key criteria, some diversity is included so that the impact of the characteristic concerned can be explored. (p 79) Theoretical sampling, a particular kind of purposive sampling in which the researcher samples incidents, people or units on the basis of their potential contribution to the development and testing of theoretical constructs. The process is iterative: the researcher picks an initial sample, analyses the data, and then selects a further sample in order to refine his or her emerging categories and theories. This process is continued until the researcher reaches ‘data (or theoretical) saturation’, or a point where no new insights would be obtained from expanding the

sample further. The key criteria for selection are theoretical purpose and theoretical relevance. A third type is opportunistic sampling, in which the researcher makes use of the opportunities that may arise during the process of e.g. interviewing. Fourth, convenience sampling is based on no specific sampling strategy, but on matters of easy accessibility and availability.

For this project, a purposive sampling approach fits best, as no overview of the whole population of firms exists due to access constraints and other limitations of the data from the National Bank of Belgium. I apply a hybrid approach in which the aim is to select groups that display variation on a particular phenomenon, but each of which is fairly homogeneous, so that subgroups can be compared (stratified sampling).²⁷ In addition, one constant criterion is used as a basis, namely that the firms picked have export potential. Without this, there would be no reason to expect lobbying actions on trade policy. The next sections explain the sampling criteria.

3.1 Sector concentration (as an indication of group size)

The first factor that mattered in the purposive sampling is sector concentration. The level of concentration in a sector tells us how many firms are active in that sector. An indicator for concentration is the Herfindahl-Hirschman Index (HHI), based on squares of companies' market shares. For the regional level, the data is unavailable, and could not be calculated. For the numbers at the national level, I used the numbers for Belgium found in the EU KLEMS database with the numbers from 1997 until 2006²⁸. For goods, a few examples of sectors marked by a high concentration are: the metal sector in which e.g. the subcategory 'Fabricated metal' with an extremely high concentration (HHI of around 0,90 throughout those years); the sub-sector 'Pharmaceuticals' has an HHI ranging from 0,19 in 1997 to 0,22 in 2006. 'Rubber and plastics' has a stable HHI of 0,7, the degree of concentration is low in that sector. As for services, the subsectors 'Renting of machinery and equipment' (0,28 in 2006) and 'Inland transport' (0,49 in 2006) have a high degree of concentration, whereas low concentration is found in the categories 'Supporting and auxiliary transport activities; activities of travel agencies' (0,06 in 2006), 'Legal, technical and advertising services' (0,09), and 'Research and development' (0,09). This category includes firms that are active in niche sectors, meaning that the product they offer is so specific, that they end up being one of the few players producing this good or service.

²⁷ This section is mainly based on (Bryman, 2012; Ritchie & Lewis, 2003)

²⁸ To interpret the HHI, the Commission horizontal merger guideline was used. It mentions the following limits:

0-0,1 for normalized indices (or 0-1000 for regular) = low concentration

0,1-0,2 (or 1000-2000) = moderate concentration

0,2-1 (or 2000-10 000) = high concentration

Source: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52004XC0205%2802%29&from=EN>

The sectors with relatively high concentration rates at EU-level are tobacco and the manufacturing of coke, refined petroleum products and nuclear fuel; and supportive and auxiliary transport activities, compared to the other sectors that have a low concentration rate. The latter are manufacturing of office machinery and computers; electricity, gas, steam and hot water supply; the collection, purification and distribution of water; air transport; construction; radio, TV, communication equipment; and real estate activities are more concentrated. The least concentrated industries are the manufacturing of fabricated metal products, wholesale trade and commission trade, land transport, etc.²⁹ For more information, see the table with the HHI index for EU aggregates (in 2003) in Annex IV and Peneder (2009).

There are some serious limitations to using the HHI index and the databases above. First of all, in trade negotiations, the discussions are broken down to the product specific level. For example, the tariff on 'frozen boneless chicken cuts' will be discussed. This is of course very specific. The data found and used, contained the level of concentration at more aggregated sector-level, which may result in ecological fallacies, showing a picture that does not cover reality. In addition, even at the aggregated level, the numbers were incomplete, there was, for example, no data on financial services. To remedy this, the firms were asked about the level of concentration in their sectors in the interviews, which included a question concerning the amount of competition they face. Most of the firms responded well to the question. Several of the large firms, however, provide a wide array of goods or services. Bayer, for instance, produces pharmaceuticals, but also plastics. For the pharmaceuticals, the firm faces little competition, there are only a few big companies dominating this sector (hence it is highly concentrated). For plastics, the picture is different and Bayer is only one out of many competitors. That is why this firm ends up classified into two categories (both high and low concentration)³⁰.

²⁹ These numbers were not fully sufficient to classify all the interviewed firms in a specific category, we also included a question on competition in the interview questions, as sometimes the firms were active in niche sectors, or engaged in a wide variety of activities falling under different sectors.

³⁰ As we did not always know the level of concentration, or had to adapt the classification of companies after the interviews, we ended up with categories for which we found more respondents and categories for which we found less.

3.2 Firm size

To differentiate the large companies from the small and medium-sized enterprises (SME), the definition of the European Commission was used. The main factors to determine whether a firm is an SME (or not) are the number of employees and either the turnover or the balance sheet total, as presented in table 9.³¹

Table 9: SME criteria

Firm category	Employees	Turnover	Or	Balance sheet total
Medium-sized	< 250	≤ € 50 m		≤ € 43 m
Small	< 50	≤ € 10 m		≤ € 10 m
Micro	< 10	≤ € 2 m		≤ € 2 m

Source: European Commission, n.d.

4. The selected firms and associations

4.1 Selection of Flemish/Belgian firms

The selection of companies was guided by two further conditions. To narrow down the geographical scope, firms with their international headquarters in Flanders³² were favored. Flanders is one of the most open regions in the world and strongly integrated in the European economy and therefore constitutes an interesting case. The aim was to select firms with export activities or potential outside the European Union, as these were likely to have stakes in the negotiations. Firms with a significant presence in Flanders, meaning that the firm has a large hub with a high number of employees in Flanders, were also considered for analysis.

Firms were identified and contacted on the basis of:

³¹ These ceilings apply to the figures for individual firms only. A firm which is part of larger grouping may need to include employee/turnover/balance sheet data from that grouping too.

³² It is important to note that even though the large majority of Flemish businesses are Small and Medium-sized Enterprises (SMEs), the largest share of Flemish export is in the hands of a small number of enterprises. One per cent of the enterprises account for 48 per cent of the total Flemish export, and 10 per cent of the enterprises account for 90 per cent of the total (Flemish government, 2010, p. 21). A mere 27 per cent of the Flemish SMEs, both in industry and in the services sector, are currently internationally active. From these 27 per cent, most of the SME's exports go to European countries (Flemish government, 2010).

- Google searches for companies in the sectors that were highly relevant in the trade negotiations (according to the analysis of issues), and of well-known firms in Flanders, such as Janssen Pharmaceutica, Deme, Beaulieu International, etc.
- Firms with a presence in Flanders that were either registered in the Transparency Register of the EU and/or were listed in a booklet of Europe Agenda called “180 Company Representations in Brussels” published in 2007. This provided me with the names and contact details of the specific persons in charge of public/government affairs within firms. To figure out if a firm had a presence in Belgium, and more specifically Flanders, I looked either at where the international headquarters was located or at the number of employees that was active on a firm site in Flanders.
- Flemish firms that were nominated for the ‘Leeuw van de Export’ – ‘Lion of the Export’ – a yearly prize of the trade promotion agency Flanders Investment & Trade (FIT).
- Architectural firms that were listed in a book review in Dimension, an architectural magazine of ‘Belgian Architecture Beyond Belgium’, published in 2012, were also contacted. This book investigates the barriers and hurdles Belgian architectural firms encounter when developing activities outside Belgium and export their services.
- Via an article in the newspaper ‘De Tijd’ – ‘Overnamespeculatie stuwt Belgische biotech’ published on February 3 2015, I was able to detect two more firms.
- Snowball sampling: On top of that I also contacted firms that were mentioned during interviews or for which respondents gave us the contact details of the relevant persons.

Table 10 on the next page shows the firms that were selected according to the above described sampling criteria, in the different categories resulting from our theoretical sample. In the next section, I will explain the categorization of firms, and will delve into their lobbying activities.

Table 10: Selection of firms

Concentration	Size	Firm	Sector
High	Large	Beaulieu	Textiles
		Bayer	Chemistry
		BASF	Chemistry
		Umicore	Precious metals, recycling, automotive, ...
		Monsanto	Seeds
		Unilever	Consumer goods
		Coca Cola	Non-alcoholic beverages
		Enterprise	
		KBC	Banking and assurances
		Proximus	Telecom
High	Small	HTMS	High Tech Metal Seals –niche
		FLIR ITS ³³	Video detection and monitoring – niche
Low	Large	Beaulieu	Textiles
		Bayer	Chemistry
		BASF	Chemistry
		Unilever	Consumer goods
		H.Essers	Transport & logistics
Low	Small	Buro II & Archi+I	Professional services
		Robbrecht &	(architects)
		Daem	Professional services (architects)

4.2 Selection of Belgian and European associations

To better understand whether and why companies approach different levels of government directly or through an association, interviews with associations were conducted on top of the ones with companies. In addition, some associations helped identifying firms for interviews (snowball sampling).

For the Belgian associations, the membership of the VBO – Verbond van Belgische Ondernemingen – and 6 sector associations in sectors that appeared highly relevant in the FTA negotiations in our media-analysis were taken into account. The pharmaceutical, the financial, the consultancy and engineers, the chemical and life sciences, the technology, and the food and drink sector were contacted.

Next, European sector associations were contacted by snowball sampling. The financial sector and the pharmaceutical sector associations were contacted at European level because the national

³³ The former Traficon was relatively recently bought by the American FLIR. FLIR ITS is the new name of Traficon. As the respondent was answering mainly from a Traficon/FLIR ITS (and not FLIR in total) point of view, I assume this means that the recent FLIR has no common political affairs strategy yet (see also Kristensen and Zeitlin's work on the strategic constitution of a multinational corporation; 2005).

associations mentioned they had no expertise on trade. In addition, during the first part of the research, interviews were already conducted with chambers of commerce, the VBO, etc. (see Kersschot, De Bièvre, & Kerremans, 2014).

List of the interviewed sector federations:

Belgian sector federations	European sector associations
- FEVIA – Federatie van de Voedingsindustrie	- FoodDrinkEurope (FDE)
- Agoria – Federatie van de Technologische Industrie	- European Banking Federation (EBF)
	- European Federation of Pharmaceutical Industries and Associations (EFPIA)
	- European Generics Association (EGA)

4.3 Preliminary observations on the interviews

Some remarks on the interviews need to be made. Certain respondents were cautious in replying to questions. This may have been due to fears of a negative view on lobbying and/or the need to give socially desirable answers. The respondents falling into the category of all-round multilevel players (see next chapter and paragraph for the classification) were the most extensive and precise in answering questions. They were not afraid or cautious about giving straight answers to the questions. The national Europeanists and European oriented player indicated that trade negotiations were not that crucial to them, although afterwards they turned out to be knowledgeable about certain issues in the negotiations that I discovered through the preliminary analysis. Nonetheless, the respondent from one national Europeanist mentioned FTAs were important and they were knowledgeable on topics, yet in the end, they did not seem to be very much aware of specificities in the wide range of topics in the trade negotiation agenda these days. The firm's respondents were cautious in answering, and they seemed to focus on specific problems to them. One other national Europeanist mentioned monitoring the free trade negotiations with Canada and the US mainly to see what's in the debate'.

8. Empirical Analysis

1. Classification on the dependent variable: types of players

The firms could be classified into four groups: ‘latent interests’, ‘European oriented players’, ‘national Europeanists’ and ‘all-round multilevel players’. None of the firms could be categorized as ‘regional oriented players’, ‘national oriented players’, ‘within-state multilevel players’ or ‘regional Europeanists’. Firms C³⁴, D, G, L and N (and a number of firms that had declined an interview) fall into the category of latent interests. They do not lobby on trade negotiations and/or are not aware of what is being negotiated. Firm M qualifies as a European oriented player. Firms A, B, E, F, H, I and J all are national Europeanists. Only firms A and F also fall into the category of all-round multilevel players (see discussion below).

1.1 Number of levels targeted

Certain theoretical expectations were confirmed empirically. Large firms in highly concentrated sectors lobby at multiple levels. In addition, with some exceptions, these firms target first the EU and then the national level, which makes them national Europeanists. There were two main exceptions, where firms acted as a European oriented player or as an all-round multilevel player. The European oriented player contacted only the European level, but this could be explained by evolutions in the sectoral and associational landscape. The all-round multilevel players contacted the regional level in third instance. This was an exceptional reaction to counter lobbying moves of civil society organizations at the regional level. The expectations on smaller firms and firms in less concentrated sectors are not borne out by the empirics, making it all the more interesting to uncover the underlying causes. Furthermore, nearly all firms prefer working indirectly through associations. Not all of the large firms in highly concentrated sectors lobby directly. Many of them prefer associations when they agree on the association’s position, as the association has a larger voice, provides anonymity to the individual form, is an extra channel for obtaining information, provides a platform for networking, and can obtain easier access. Most importantly, firms will decide to lobby directly

³⁴ The firms that gave interviews have been anonymized in the analysis in order to protect the respondents.

when its preferences do not align with those of the association, and/or when parallel lobbying can increase the chances of success.

Expectation 1: Large firms in highly concentrated sectors lobby at multiple levels.

The large firms operating in highly concentrated sectors lobbied at several levels, except for one European oriented player. Due to evolutions in the sectoral and associational landscape in which the firm operates (see below), this forms as an exception to the rule. The expectation concerning multiple levels is therefore confirmed.

The analysis allows me to be even more precise on that aspect: a high concentration and large size lead to lobbying at multiple levels when EU trade negotiations are concerned, and more specifically on the EU-level and the national level – but *not* on the regional level. To this rule, I also found one exception in the sample, where active lobbying on a trade negotiation was observed at the regional level – namely as a counter-lobbying move against civil society organizations engaged in an anti-TTIP promotion strategy. This was mentioned as an exception from the usual targets, and the regional level would again be left out by the firm when lobbying on future negotiations (see below for a more detailed account). The high politicization of TTIP required a tailored approach in this case.

Expectation 2: Smaller firms or firms in less concentrated sectors lobby at one level.

All the other combinations of firm size and degree of sector concentration were marked by firms that did not lobby on trade negotiations. Many of the firms contacted for an interview that had denied, replied that they were not lobbying at all, or not on trade negotiations or trade policy. These firms are also part of the ‘latent interests’, the group that is hard to identify.

Smaller firms in concentrated and non-concentrated sectors, and large firms in non-concentrated sectors do not seem very informed about international trade negotiations and do not lobby. They indicated monitoring the media on the general political evolutions with Russia, as trade embargoes may become an issue to them. Firm C and Firm N mentioned specificities to their sector that require cooperation with local partners. Certain firms mentioned not encountering many barriers in their niche or sector. Some firms mentioned that technique-driven firms (e.g. in high quality high technology sectors) face less protectionist barriers abroad than market-driven firms, as they are unique in producing certain solutions.

'The more unique you are, the less important it is to have import restrictions, because, I mean, let's say your clients want your product, then that is ultimately what you should be able to achieve' (Firm G, 2015).

International standardization prevents certain firms from difficulties with requirements in different countries. Firm G mentions to export "ex works" which means that the client is responsible for transporting and importing the good in her respective country. This way, problems at foreign countries' customs are to be faced by the client. However, clients may refuse this delivery mode. The problems mentioned are mainly customs not releasing their goods, etc. One of them actually mentioned not having thought of contacting public actors on such problems as they did not see why they would do so or whether this would solve the problem. Further, the home country's customs can cause problems, for example when fear exists that goods could be used for military or nuclear purposes. In short, even though there is a lot of goodwill, the firms consider their niche or too small for politicians to listen. Talking about politicians the respondent mentions 'Nobody can score points with that, unfortunately' (Firm D, 2015). The firm usually solves complex problems by itself.

At Firm L, one person is responsible for marketing and corporate affairs. The task of corporate affairs is relatively new. The firm always started from its own strength and never relied on lobbying or the maintenance of external contacts. Nevertheless, networking introduces new clients and representation of interests is useful as well according to the respondent, which is why the task of corporate affairs was added to his work function.

'But to be honest, I am absolutely not a lobbyist, and we are still searching a bit on that aspect... We are building up the network systematically (Firm L, 2015).

This constitutes the start of the building up of an interest in external representation capacity and strategy within the firm. It is curious about how the political and public side of the spectrum functions. Firm L is in no way actively communicating on matters of trade negotiations. The firm is operating outside of Europe, and is gauging to enter new markets, but not in the countries of the studied negotiations. Furthermore, the firm is not yet very much engaged or experienced in political affairs.

In short, tariff barriers and hassling customs procedures do exist, but do not form a determining factor for firms to become politically active and start up lobbying activities. When the basic conditions for firms to become active are not met, they will adjust to the current situation (see also Eckhardt, 2011). Contacting authorities is not really a path that occurs to the chief executives minds as a potential way to solve problems – more specifically because they do not experience the problems or do not see these being solved that way. A last reason that came up is that companies are not necessarily keen on sharing information with the government, due to the risk of it getting a political flavor. Fickle politicians and governments switch positions promptly, they are unpredictable.

Policy development, on the contrary, evolves too slowly according to certain firms. They do not seem aware of the fact that in trade negotiations also production processes are discussed.

Firm G says that if it would communicate on foreign trade, it would argue that it is important to have a more transparent way of exporting and importing products, and definitely a more transparent way of guaranteeing warranty, so that when there are problems with a product a firm could easily import and export it again. According to the interviewee, the situation with Russia is detrimental to the business, to the exports. First of all, the Ruble has devalued. Second, the firm is worried about serious restrictions on the exports to Russia and certain other countries. Another illustration is the oil price. It affects the business as governments no longer have the cash or the budget to finance certain projects. These get delayed or cancelled.

'Hence, this does not really relate to trade agreements, well, it might be a derived form if a good relationship exists between countries, then maybe also political peace [...] So then you might have an indirect effect of agreements coming about because those countries are on good entente and then, that of course stimulates your exports, because you because you are in a stable political situation. But the agreement in itself, those few percentages less import tax is less of importance to us. But a political situation in which you have a stable framework, that is important in it' (Firm G, 2015).

For example, Brazil, a country viewed as having high restrictions on imports, does not produce Firm G's products, 'so in a market where there is actually no liberty of trade, we can still market our products properly' (Firm G, 2015). The wide coverage of trade agreements in terms of issues such as regulation, seem new to the respondent. After asking what we meant, 'for example environment regulation?', he mentioned that the EU has the strictest regulation so that they automatically conform to regulations in other markets as well (Firm G, 2015). The real problems Firm G mentions are related to the guaranteeing of warranty in other markets, 'this is where the misery begins' (Firm G, 2015). When a device breaks in another market, firms need to get it back for reparation and then send it back again to the customer – for free. The goods can then still face problems at customs and the firm will have to pay for import duties again even though it is a free replacement or reparation (but cannot cover it in the price this time). In addition, why would a client invest in such quality goods if afterwards there can be no reparation of replacement? Then it would be better to buy a local lower quality product.

When facing problems, Firm G mentions that they, at that moment, do not immediately address the government to file a complaint about the situation.

'Because, in the end, we do not know what the effect of it is. If you go to a government, how are they going to rap those administrators over the knuckles, what are the consequences? Maybe that next time it will be ten times as hard to import it. Well, I think that maybe it is

something that should be addressed by the Belgian government and the Indian one for example, and to see, we could maybe simplify that import regulation or do you have clear guidelines with which our FIT or our export gurus could help. That could be, I have to say that we ourselves did not really get in touch with FIT for help on it' (Firm G, 2015).

Furthermore, the firm mentions that once you are in a treadmill to secure projects, for which the amounts are relatively modest, they do not want to invest so much effort to change the customs procedures in another country.

'... [I]t looks like a complicated assignment and actually it has not crossed our mind to address that' (Firm G, 2015).

In short, the firms are always focusing on their business operations, and adjust to the situation in international markets.

Firm C and Firm N do not monitor free trade negotiations either. They consider their sector as very specific. Nonetheless, the recognition of foreign qualifications is a barrier and an issue. Furthermore, equal access to competitions for foreign companies is sometimes hard.

'... [U]just entering a foreign market as a [sector] firm appears difficult. We try it, but it remains rather difficult. We always partner up with a local ... For us this is also useful because regulation can be so diverse from country to country that it is almost undoable to go somewhere and be certain that you comply with all prescriptions in the country if you don't have a local partner' (Firm C, 2015).

The firm mentions further on that there have been a few coordinated attempts or movements (by private initiative) to go abroad with the firms in the sector, but that she did not see much coming out of those. One respondent mentioned she had the impression Belgian governments focus more on promoting foreign firms here, rather than promoting the Belgian ones.

This shows that the expectation above is not met in the empirics. It becomes clear that firms, with a smaller size or operating solely in sectors marked by low concentration do not lobby on trade negotiations to begin with. Many of them did not even engage in much lobbying in general, as they focused on their daily and other business operations. Contacts with public authorities in those cases were mainly on practical or necessary matters, but did not involve very active lobbying from the individual firms themselves.

1.2 Specific levels and order of preference

Expectation 1a: Large firms in highly concentrated sectors target the EU-level first, and in second instance the national level.

Within the subgroup of large firms in concentrated sectors, there were still small variations in the levels approached, these mainly related to the extent of the firms' active lobbying vis-à-vis monitoring. Most of them were national Europeanists, although there were two exceptional cases, one firm acts as a European-oriented player, and two as all-round multilevel players.

The national Europeanists (Firm A, Firm F, Firm H, Firm I, Firm K, Firm J, Firm B and Firm E) first and foremost target the EU-level, while taking into account the national level as well. As one firm mentioned:

'I think the first one would always be the European Commission on trade, just in terms of competencies, and then maybe [the country] next, just because we are a [nationality] company. Access is easier.' (Firm A, 2015)

This quote gives clear empirical evidence that supports the expectation that large firms operating in concentrated sectors first target the European level, and after that the national level. Firm B and Firm E have long standing relationships with the national government. The experience of the political affairs departments have their effect in terms of networks, knowing whom to address, how to go about, etc. But that did not seem to matter so much on trade negotiations, because at the moment these firms were monitoring trade negotiations, but not necessarily taking the lead on them. The monitoring encompasses certain issues of importance to the firms, that also arise in trade agreements. Firm J mentions that their monitoring on trade is not so spectacular 'we only have a few codes, because, in fact, our number of customs codes that we have, for products that we produce ourselves, those are rather limited' (Firm J, 2015).

The exploratory nature of this project made it possible to discover more specifically which actors at which level were targeted. DG Trade is the main communication partner, as negotiator and the organizer of the consultation process. In the DG-hierarchy, some firms mentioned having contacts in the DG up to the level of director-general and head of cabinet – in case they lobbied directly and not only through associations (see below). Other DGs may be targeted depending on topics that fall within their tasks. One mentioned facing difficulties of access due to a negative image. Certain respondents mentioned how relationships build up, this is especially crucial when facing difficulties of access.

Then, at EU-level, the Parliament's INTA committee is targeted. Within the committee, rapporteur and shadow rapporteur are targets for Firm A. Firm F maintains contacts with MEPs and regularly tries to sit together for about thirty minutes to expound certain themes, the position as the industry and as Firm F. The firm focuses on MEPs from its member state as the firm more known there. This shows that the location of origin of a firm remains crucial to the minds of lobbyists and governments, even when a firm outgrows the national boundaries. To a lesser extent, the committees on Industry, Research and Energy (ITRE) and the committee on Environment, Public health and Food Safety (ENVI) are targeted, mainly on TTIP and because of TTIP. These actions must be linked to the high politicization and mediatization of the EU-US negotiations and the critique that the agreement should take into account environmental issues.

Firm J, that does not necessarily work directly, it is for example member of the Transatlantic Business Dialogue, has a different way of being in touch with the EU-level. The firm hosted an event with Commissioner Karel De Gucht coming for a speech. The interviewees mention that this can be considered as political goodwill, maybe even as networking.

'We are not going to Karel De Gucht because we have something to discuss, you do not do it so directly. Inviting Karel De Gucht and the whole [association], we made our building available to organize a reception here, on account of some kind of discussion, that is more hospitality' (Firm J, 2015).

Other firms indicated having had visits of Commission officials, co-organized by associations. The location near Brussels plays a role in these visits.

In a second instance, the national Europeanists will communicate to national authorities.

'Since the Treaty of Lisbon, [trade] has become a European competence and for us, the center of gravity is at the European level. Of course, at the national level, we will always [lobby] because of the European functioning with the Council, [...] you also have to do your interest representation at the national level because it has an impact as well or gets included, it plays in that sense, but the focus is really on the Commission and Parliament, increasingly so' (Firm F, 2015).

As for the permanent representations (perm reps) of the EU member states, that is mainly done by the EU associations that send their position papers to them as well. In previous research on how regions, member states and EU authorities coordinate, these actions were already reported by Belgian federal authorities (see Kersschot et al., 2014). Even though the member states are principals that have delegated the task of negotiating trade agreements to the EU commission, we now find evidence that the endorsers, the private sector in this case, communicates to the EU Commission agent directly and gears its output towards that agent. It then also sends the same information to the principals. In addition, Firm A mentions that it depends on who is representing the country in the

trade working groups in the Council. If it's done by the 'capital', Firm A argues it makes more sense to have a contact in the capital. If a diplomat from the perm rep attends, then the firm engages in a working relationship with the perm rep. As the ministry marks the scope within which the diplomats work, Firm A also relies on national associations to talk to the ministries in the capitals. Firm F always tries to meet with the rotating presidency to learn on and explain positions related to international trade. For specific files, they often cooperate with the several permanent representations. When Firm F is in the know of certain countries defending a specific position, whether pro or con, the firm will communicate to these member states. The goal is to either understand why they are against, or in case they are in favor, to support them further and provide them with information on our points of view. Firm F's respondent, tells that he will indicate being in favor of certain trade agreements in bilateral contacts with politicians at national level, but not discuss them in depth. Firm F and Firm J discuss certain administrative issues and/or customs files (everything related to suspensions for example) at the federal level of the FPS Economy. Firm F also contacts the FPS Foreign Affairs on sanctions, such as the ones on Russia. The FPS Foreign Affairs – although coordinating the Belgian position in EU-bodies on trade negotiations is thus not contacted unless if there are political motivations behind trade embargos. Furthermore, Firm F has arranged a lunch meeting with the Belgian State Secretary for Foreign Trade, 'I didn't even know we had one' (Firm F, 2015). Firm A reflects on who is a major voice on a specific issue. For example, the competence on the investor-state dispute settlement lies with Brussels, technically. However, Germany, and France to a lesser extent, still has quite some experts in their ministry.

'So, of course it's logical to assume that they will have a huge impact on technical aspects of ISDS as well on the Brussels level.' Furthermore, 'You can't rely only on Brussels, Brussels is the negotiator, but Brussels negotiates on a mandate. [N]ot twenty-eight countries have an opinion. Many countries follow the lead of bigger countries. And then, which is the hardest part [...] you have to identify the relevant player and relevant content experts.' (Firm A, 2015)

France, the UK and Germany are major voices on intellectual property policies, as well as for trade agreements, they are powerful countries. If these agree on a deal, most likely it will progress. Belgium is an expert on certain financial issues. This is interesting as it shows that the formal division of competencies only matters to a certain extent. The EU-level may be competent over conducting the negotiations, still it remains interesting to lobby the countries that are being heard as experts on certain topics. This information is extremely hard to find out, as lobbyists have no access to Council documents, this can only be uncovered by talking to the permanent representations and getting a hint of the topics on which they have in depth knowledge, a first indication. This therefore demonstrates how able certain lobbyists are, and the investment made in order to get to that stage. One basic assumption was that lobbying is a costly investment and that firms would not lobby more

levels than they feel necessary. Firm I mentioned focusing, in its general lobbying, on countries with more votes in the Council, I infer that this would also hold in the case of trade negotiations.

Remarkably, the representative from Firm H is the only one knowledgeable on the ‘College of Permanent Representations’, whose dean happens to be Belgian. This College organizes regular activities in Brussels, meaning you can catch the 28 at once. This facilitates the lobbying for Firm H. The interviewee repeats that, even when you have nothing to ask, it is a matter of securing a channel of information and, if necessary, the flow of information. They are often asking for information, as within the administrative flow of information, the information is often too administrative, boring and not always accurate. Therefore, a perm rep does not always only start from the information it got through the hierarchy.

Firm B and Firm E are strongly embedded at the national level, for example by having politicians in their board or by having the government as a client. They probably mention everything to officials, parties, and/or party leaders. In addition, due to their strong national embeddedness, these persons are able to get to officials in the EU from the Belgian nationality (such as former trade Commissioner Karel De Gucht, or former President of the European Council Herman Van Rompuy). Interestingly, the respondents mentioned that (in general) at the Belgian level, the network is more important than at the European level, where the officials are often reshuffled into new positions. At the EU-level, you have to build your case on the basis of information and then the network may come in. (Firm B, 2015)

In short, there is a general consensus among the national Europeanists that the European level is the first one targeted and the national level comes in second place.

The exceptional all-round multilevel players – only in case of TTIP

Two firms also contacted regional authorities in the case of the Transatlantic Trade and Investment Partnership. Why would Firm A and Firm F contact regional authorities in the exceptional case of the TTIP negotiations? The firms have encountered regional authorities during their interest representation on TTIP, Firm A actively lobbied a German region, Firm F presented at an event organized by a (different) German region on TTIP. Firm A mentions TTIP as a game changer in that aspect, at least temporarily. Before TTIP, Firm A focused almost exclusively on Brussels in trade negotiations, because, ‘honestly, no one else was interested, and maybe a couple of governments’. (Firm A, 2015) In addition, the respondent mentioned that instead of reasoning that governments may not follow up trade negotiations because they do not get input from business, the argument can be reversed. ‘I would frame it differently, we targeted our input to the level which is actually in charge of the negotiations, while the other levels were not interested in the trade negotiation process. [...] so we haven’t gotten any request for input from the regional government so far. It only

came from the EU commission, or maybe the central government.' (Firm A, 2015). The respondent mentions that trade, nonetheless, is not their key competence and not really a key interest to the regions either until now. That being said, the respondent also mentioned that for key negotiations, they even suggested certain countries themselves. Initiative thus can come both from public as private actors. It seems that the respondent awaits the regions to request input, while the person would make suggestions at European level, or to actors in the Brussels bubble. Consultation mainly takes place at the EU level, with DG trade usually starting the consultation process with industry and other stakeholders, meaning that everyone can come and hand in their position. NGOs and labor unions usually do this as well, although the club of usual suspects remains limited:

'it's really in this Brussels bubble, it's a very small consultation process with very few interested parties.' (Firm A, 2015)

For larger trade agreements, the national government sends a specific request for input as well. As the governments are in charge of the mandate, at the beginning of the negotiations, usually the position papers are being circulated first to the commission and then to national level as well. This is usually done in a way that the European associations are in charge of the overall process.

At one occasion, TTIP, Firm A actively approached the local level, as third and last instance. I therefore qualify expectation 1, with the division or sharing of competences between several levels. Some FTAs contain topics of mixed competences between the EU and the member states. TTIP definitely touches upon mixed matters. Then, it depends on each member state how a trade agreement is ratified internally (e.g. in some countries regional authorities have to ratify as well, see Kersschot et al., 2014). The respondent mentions two reasons. First, the Bundesrat has to ratify new trade agreements as these are broad in scope. The Länder thus have a formal competency. In addition, the targeted regional government has not traditionally been criticizing (aspects of) FTAs and had been active before (for example on the agreement with Peru and Colombia).

'[S]o we thought, before the process starts there and they, they basically form their opinion on a positive or negative side, we better should maybe approach them already and at least outline what have we done, what is being negotiated, what is our position. Usually we feed in our position on trade agreements only at Brussels level and maybe at the national level, so they didn't actually know what industry proposed in the TTIP negotiations, leaving room to speculation.' (Firm A, 2015)

Importantly, Firm A took this step together with the German association VCI. Second, Firm A made a counter-lobbying move against civil society actions and the media. They had started a campaign at the regional level, which is why Firm A felt the need to make sure the government was also aware of the industry position on TTIP.

'If the media coverage and thereby the public interest wouldn't be so high for TTIP, I doubt that the level of attention of the Bundesländer would be so high. And then we would again leave them out. [...] it really depends, if it's a political issue, then of course we try to approach them, as they have a voice in the Bundesrat. Because otherwise, so far on trade agreements, we actually just hope that the ratification process will go through without any major issues in the Bundesrat, we relied on that, without doing anything on the local level. And so far it always worked out.' (Firm A, 2015)

In addition,

'[Free Trade Negotiations] didn't have a huge attention by media, then TTIP and CETA came in and they used the opportunity [...], they wrote tons of papers and made tons of events in university cities, targeting the rather young population, it was rather smartly done. And there was trade in the alleged negative consequences on environmental and social standards, so it was well done. Of course it puts industry under pressure to as well reach out to the local levels, which was not much in our attention at the beginning'. (Firm A, 2015)

Furthermore, the interviewee argued that 'the political party in the region is running as well the German Economic Ministry basically' (Firm A, 2015).

The other all-round player, Firm F, engaged with the regional level by trying to spread the same information (especially if concerning trade policy) to all levels, because of the 'European process' on trade negotiations. Firm F also mentioned the opposition against TTIP in Germany. The firm tries to engage in the debates at the national level.

'In that sense, in two weeks, together with the representation of the regional government here in Brussels, we organize an event where one of our board members will speak, together with a local minister from there, Bernd Lange, the head of the INTA committee and Jean-Luc Demarty, head of DG Trade. It's also nearly around TTIP that we organize this here. It shows that we discuss with the commission, parliament as well as the regional governments. (Firm F, 2015)

In conclusion, these all-round multilevel players have engaged with German regions in order to counter fierce opposition against TTIP.

'If it weren't for the high politicization and mediatization of TTIP, the regions would not have been a necessary target in their lobbying. [...] even if you look at the TTIP consultation, I think there were a 100 responses at the beginning of 2011-2012 [...] And then all of a sudden this media wave started and if you look at the ISDS consultation, a 150 000 responses.' (Firm A, 2015b).

Contacts with German regional representations are not solely reserved for firms with German roots, as other firms indicated coming across the Länder in Brussels and participating in events with them (on trade and non-trade related matters).

The exceptional European oriented player, Firm M, sometimes takes explicit positions on issues related to trade agreements, on a case by case basis, such as customs numbers and certificates of origin. On trade matters, Firm M works ‘rather at the European level’, and always through federations. Firm M is working solely through associations. Within those associations, the firm is not active in working groups on trade negotiations, although it participates in other working groups focusing on specific topics (e.g. norms). Since these topics arise in trade negotiations as well – the specifics of the negotiations on that topic are then also discussed in those working groups. (Firm M, 2015) Firm M does not work through regional or national institutions because of the higher level of knowledge in the associations: on the issues but also on the sector, markets, ... The regional government does not have the detailed knowledge of the federations, both in terms of technical knowledge as knowledge on the background on how the market is structured internationally. The European level is the main level targeted, the access points and channels are there, it depends a bit on the efficiency of the federations. In sum, the choice of level is decided by the level of competency, the federation’s accessibility and capability. (Firm M 2015) The respondent also mentioned that in practice, more often people from the EU Commission present or attend at events than people from the regional or national administration.

The firm thus targets mainly the European level (through its associations) on trade negotiations. Even though the respondent mentioned not to be very active on trade negotiations, he was aware of certain topics of importance to the sector in those negotiations. So what could account for the difference with the other similar firms? One difference is that the lobbying department is newer and the coordinating function only exists for three years – contrary to the more senior lobbyists of for example Firm H (who has been in the business for thirty years) or of Firm I (arrived in the nineties and still not much reached). Moreover, Firm M distanced itself from the national sector association, even though still member, the firm has differing preferences on trade than the association historically upheld. The firm also mentions that the sector association in another EU member state ceased to exist. I conclude from this that changes are happening in the industry and in the landscape of associations in that sector (the latter will be discussed below). So, a different point of view from that of the national association could be the reason for not working through the national level.

Expectation 2a: Small firms or firms in less concentrated sectors lobby at the same level where they are used to lobbying for other policies, being the national or regional level.

As expectation 2 was not confirmed, and smaller firms or firms in less concentrated sectors are not lobbying (on trade negotiations), the ensuing expectation that these firms would lobby at national level is already disconfirmed as well. Some of the large firms operating in concentrated sectors did mention the importance of continuity in relationships and of actors' previous reactions.

Some of the firms have the same reflex when a matter rises to the table and know whom to contact out of experience. It appears that both the function of an actor, or simply the actor being known from before can be reasons of targeting them. There were differences on how easy actors found it to find the right contact persons. Many of the firms above had a very good overview of whom to contact on which matter or for a specific case, often at several levels. Some firms even manage to hold a 'helicopter view' of what each public actor does, and can even point out which specific policy issues or topics fall in between the cracks and are not being done by any political administration. They could even figure out whether something is left out in between certain levels of government (vertical overview of which level does what), or in several departments at one level of government (horizontal overview of which department does what). This stands in stark contrast with the latent interests in the sample that have not even considered contacting the government on problems or are still searching whom to contact. Answers on previous success differed as well, some firms indicated returning to actors where they had obtained success. Others argued that one sometimes wins, and sometimes loses, but that they would still contact the same actors in any case.

2. The strategies: direct vs. associations

Expectation 3: Large firms in highly concentrated sectors lobby directly.

Expectation 4: Small firms or firms in less concentrated sectors only lobby indirectly (via associations).

Expectations 3 and 4 are not met by the empirics. In general, the firms in the sample that were lobbying (i.e. the large ones in highly concentrated sectors) all preferred working through associations, apart from Firm B that argued both strategies – directly and via associations - are equally important. Most of the firms combined a direct and indirect strategy. Some combined the two strategies at multiple levels (e.g. Firm A, Firm B, Firm F, Firm H, Firm I, Firm K), others used the duo-strategy solely at one level (e.g. the national) and relied on associations for representation at

the EU-level (e.g. Firm J). Firm M then again preferred working solely through associations. The use of associational lobbying in general is the main choice, which is then complimented by direct lobbying in parallel when a firm has different preferences than the association, or if it would bring additional leverage. This is decided on an ad hoc basis.

The rationale behind the adequate strategy is to, for items on which the whole sector stands behind you, you are much stronger in advocating the whole sectors interests than on your own. ... The strategy thus is in function of the topic and the firm's own interests. Certain sensitive topics are only approached through associations' (Firm E, 2015).

As mentioned, in general (not specifically on trade), the Firm B respondents mention that they do not primarily work through associations, but that the two strategies are equally relevant.

'For certain things we work mainly with [sector associations], for those things where it is important to come to a joint position. But equally often, the positions do not align and we will still try, yes or no in full transparency with [the sector association], to approach politics. Sometimes we do it in full transparency, because [the association] knows that we can work in a fortifying way, because we for example might have better contacts. And the other way around also occurs, we keep each other informed. Sometimes we will still try to execute our own lobbying, because we know that we have a typical Firm B issue, and that it will be very difficult to get support from the sector, because we are just a little too different. Then we'll try to do our own lobbying, be it regionally, or federally, or European [...] But we are not competitors. So we try to collaborate as much as possible and separate where we think it is more useful' (Firm B, 2015).

The large firms in concentrated sectors in the sample played active roles in associations, being in the boards, chairing working groups, representing for or jointly with the associations, and sometimes even founding associations (e.g. Firm H, Firm J, Firm I, Firm A, Firm F). This stands in stark contrast with the firms that did not engage in active lobbying on trade negotiations and are much more passive members of the associations. These latent interests were unaware about the content of trade negotiations (apart from what they may have read in the newspaper). Interestingly, those firms were member of national or regional associations. These associations in essence also represent them. Thus, a distinction should be drawn between an association's active and more passive members (these can vary according to topics). The most active members, comprised of large firms in concentrated sectors, seem to steer the course and take on board the more passive members. The active members are the ones actively lobbying, via the association, and/or directly. They actively make use of the association to pursue their policy goals in international trade negotiations. The latent interests, on the contrary, do not know a great deal about trade negotiations, and did not necessarily know their longer term preferences in trade negotiations. This is an indirect implication

that comes out of the interviews and that warrants further research on the functioning and activities of associations.

Gathering information and relying on expertise is another motivation mentioned for working via associations, as the latter sometimes have a specialist they and their members can rely on. The firms employing the associational route in parallel to the direct strategy thus benefit from more channels of gathering information, their own and the ones from the association. As one of the key aspects of lobbying is gathering information as soon as possible, having extra antennas out is conducive. For more in depth analyses, the associations' know how can come in handy as well to obtain detailed information. Moreover, associations provide benefits such as more weight and a larger voice as they represent a larger proportion of economic activity than a single firm, easier access to policy makers, a networking platform and anonymity. Firms do not want to be singled out by government actors, competitors or clients on sensitive information or preferences. Firms feared losing client companies due to direct lobbying activities or certain preferences becoming visible (preferences that may offend the clients or may contradict the latter's' interests).

Expectation 4a: small firms or firms in less concentrated sectors lobby via the national associations, which then communicate their interests to EU-federations.

The landscape of associations mirrors the public organizational structure according to the levels. The associations often are organized at one level and prioritize interest representation at that level, while sometimes also ascending to the next level: by becoming member of the association at the higher level and/or sometimes by also contacting authorities on a higher level. A kind of gentleman's agreement seems to exist between like associations at different levels, they will usually focus mostly on topics that are dealt with at that level of government – more or less along the lines of competencies. That being said, associations can become member and participate in activities of an association at higher level. Then again, the association at the higher level disseminates information to lower-level members, etc. A similar kind of coordination structure arises as the one at the public level. Former trade commissioner De Gucht mentioned wondering whether EU-level associations really represent small business and not only dance to the beat set by large firms, multinationals (Harvard-MIT Belgian Society, 2015).

Decision-making in associations at EU-level is based on consensus between members (Association C, 2015). The members of sector and other business organizations usually consist of national associations, and large firms that directly become member. Several of the national Europeanists in the sample were at the origin of certain associations, they were the driving factors in creating it, and remain driving factors in steering it.

If decisions and positions are taken by consensus, this means that the vote or voice of a member that is a firm weighs as much as the vote or voice of a national association member. This implies that potentially a firm that is direct member could block certain requests or positions from national associations, yet also the other way around.

Added to that, comes the fact that the national associations in the sample did not seem to prioritize trade negotiations. When they did, it was at a more general level, not into the specifics of every single detail, they mentioned leaving that up to the EU federations. So, they did obtain the information and went looking for input from their members, but they do not do it at the sort of 'expert level' as the EU federations. They usually had their focus on other matters first.

Then, smaller firms or firms in non-concentrated sectors do not lobby on trade negotiations. They are either not aware of trade negotiations and/or of their interest in them, or are not acting upon these interests.

Furthermore, during the interviews it became clear that most multinationals in the sample – the ones with a long history of lobbying, are well-embedded at all levels. They can be member of regional and national associations as well (usually when they have a big site in the area). The large firms are active participants in associations, they are often in the board, chairing working groups, ... Many feel 'obliged': you can simply not be present in the association as the large(st) player, they are being asked by the association. Another respondent mentioned it is the task of the 'big brother' to gather the sector and to inform smaller brothers.

So, a high extent of participation and steering of the above-mentioned firms in associations is observed at several levels. The national (and regional) associations can be steered to a certain extent by the large players. The national associations are member of the EU associations. In those EU-associations, the NAs are viewed as representing also the interests of smaller businesses. Yet, the interviews indicate that also those NAs' positions are partially steered by active large firms. Smaller firms are not often actively communicating on trade negotiations in the first place, as this is 'far from their beds'. Last but not least, the national Europeanists are the ones mentioning that even though often working through associations is preferred (because of the reasons mentioned above), certain of them will still employ a direct strategy when the association is not agreeing on a firm's specific position. The implication that indirectly comes out of the empirical information gathered, is that directly and indirectly, the large firms in highly concentrated sectors are dominating the input on trade negotiations that comes from the private sector and gets fed into the policy process. That being said, if a small firm or one in a dispersed sector would decide to communicate its interests at EU-level directly, it potentially could also have a large and disproportionate impact vis-à-vis its own size and importance measured in economic terms.

9. Conclusion part III

This part started out with the question ‘why do firms not lobby certain levels of government (more specifically the regional level) on trade negotiations?’ And therefore had to ask ‘at which levels do firms lobby and why? Furthermore, it aims to uncover whether and why firms work directly or via associations.

The firms in the sample could be classified into four groups: ‘latent interests’, ‘European oriented players’, ‘national Europeanists’ and ‘all-round multilevel players’. None of the firms could be categorized as ‘regional oriented players’, ‘national oriented players’, ‘within-state multilevel players’ or ‘regional Europeanists’.

Large firms in highly concentrated sectors at EU-level were expected to lobby at multiple levels, which was confirmed. More specifically, those firms would first target the European level, and in second instance the national level. This was also corroborated by the empirics. The analysis allows being more precise than the current literature on trade policy lobbying, a high concentration at EU-level and large size lead to lobbying at multiple levels when EU trade negotiations are concerned, and more specifically at the EU-level and the national level – but not at the regional level. Certain exceptions provide further information on the motivations of firms. One European oriented player lobbied solely at EU-level due to certain evolutions in the sectoral and associational landscape, which accounts for this exceptional outcome. More importantly, two firms exceptionally acted as all round multilevel players, where active lobbying on a trade negotiation was observed at the regional level – namely as a counter-lobbying move against civil society organizations’ anti-TTIP promotion strategy. In the case of TTIP, the case of a mixed agreement with high political, media and societal attention, the firms targeted the regional level in third instance, after having first lobbied at EU and then at national level. The firms indicated that they deviated from their usual strategy, in which they do not target the regional level.

However, the expectations that smaller firms or firms in less concentrated sectors would lobby at one level, and that they would lobby at the same level as for other policies were not met. The smaller firms or firms in less concentrated sectors were not monitoring the trade negotiations studied. Some firms indicated that international standardization, providing unique solutions, partnering up with locals, or delivering ‘ex works’ helped them adjust to the current situation in international markets. Nonetheless, the firms did experience problems, for example, goods being detained at customs, problems in guaranteeing warranty, problems of recognizing foreign qualifications, or access

difficulties to competitions abroad. One firm mentioned that the government could not score points with helping out a firm in a small niche. In addition, certain firms did not like to share information with political actors out of fear it may be drenched into a ‘political sauce’. Further, certain firms indicated developing new products within a few months, whereas lobbying, analysis and a decision by politicians would require more time. In conclusion, contacting authorities was not really a path that occurs a potential way to solve problems – more specifically because they do not experience the problems or do not see these being solved this way. The firms were unaware of the topics discussed in trade negotiations, the evidence shows that amount of information-asymmetry is much larger than expected.

The expectations that large firms in concentrated sectors lobby directly, and smaller firms or firms in less concentrated sectors only work indirectly were not fully borne out. Instead nearly all the firms lobbying preferred lobbying via associations. Some of them combined this with a parallel direct lobbying strategy, in case of a different position from the association or as an additional strategy hoping to increase chances of success. This is an indication that associations to a certain extent function as the long arms of their active members.

The research strategy of sampling different types of players and different types of firms permitted to identify the so-called latent interests, the firms that do not lobby on trade negotiations. The latent interests were unaware about the content of trade negotiations (apart from what they may have read in the newspaper). Interestingly, those firms were member of national or regional associations. These associations formally also represent them. A distinction can be made between an association’s active and more passive members (on certain issues, such as trade negotiations). The active members seem to steer the course and take on board the more passive members. The active members are usually the ones actively lobbying, via the association, and/or directly. They actively make use of the association to pursue policy goals in international trade negotiations. The latent interests, on the contrary, do not know a great deal about trade negotiations. This is an interesting implication that warrants further research on the functioning and activities of associations.

The sample obtained was the best I could manage within the circumstances. If firms for each category would have been interviewed, it would have improved the quality of the research. Future research could check whether these findings hold across contexts (for example other countries, other sectors).

In sum, two important findings stand out. First of all, lobbying is an extremely costly activity for firms. They therefore only lobby a government level when they perceive this as necessary to obtain success. This has not been the case for regional governments, unless when certain firms feared that the regional government would be captured by counter lobbying actions (and they had the capacity to target this additional level). The incentive provided by counter-lobbying can trigger firms to target

new government levels and expand their lobbying activities, in order to make sure those governments are not captured by competitors. Second, many of the firms contacted, and the smaller firms or firms in less concentrated sectors in the sample remain latent interests. These firms did not lobby on trade negotiations, or did not even lobby at all. The necessary conditions for them to become politically active have not been fulfilled. These firms know so little about the content of such trade negotiations, that it turns out the amount of information-asymmetry is much larger than was expected.

Part IV

Lost in aggregation

10. Discussion and Conclusions on private economic and public actors in EU Free Trade Negotiations

This dissertation set out to explore why certain actors are able to contribute to decision-making on EU Trade Negotiations and others not, and focused on firm lobbying and coordination between several levels of government – including the regional level. The main argument I make is that actors need top down information on the negotiations, bottom up information on economic interests, and have to connect these streams of information to translate it into a position on the negotiations. Why do certain actors fail at this endeavor?

First of all, the regions studied seemed to be able to correct for a certain amount of information-asymmetry on the top-down information. Due to their status as public authority and to their access to intra-state channels they could use this as a way to increase their knowledge and thus control. However, in many cases this remained a ‘potential’ opportunity or capacity. Because they need to bring something to the table. Monitoring trade negotiations is a costly and time-intensive endeavor, but one cannot make a proper judgment on them when unaware of one’s own interests or position. The regions did not obtain much access to bottom-up information. The departments involved with trade policy were often separated from the trade promotion agencies in touch with business. However, there is potentially quite some information on economic interests. Two problems remain, loss of the information in the aggregation process and a lack of someone being able to recognize the potentially useful information that could bring an input to the formulation of a position. Someone is needed to make the connection between the information from business and the information from trade negotiations. The UKTI’s FTA champions are a promising attempt, yet the project is still in its infancy, at the time of interviewing it was too early for an assessment. The information that (regional and sometimes national) trade promotion agencies gather, seems to get lost in the process of aggregation.

On the public side, sometimes it may be needed to take a position without much societal input, for example on issues proposed by the negotiating partner country. Without internal interest representation, public actors, where possible, may avoid taking positions on specific issues. For

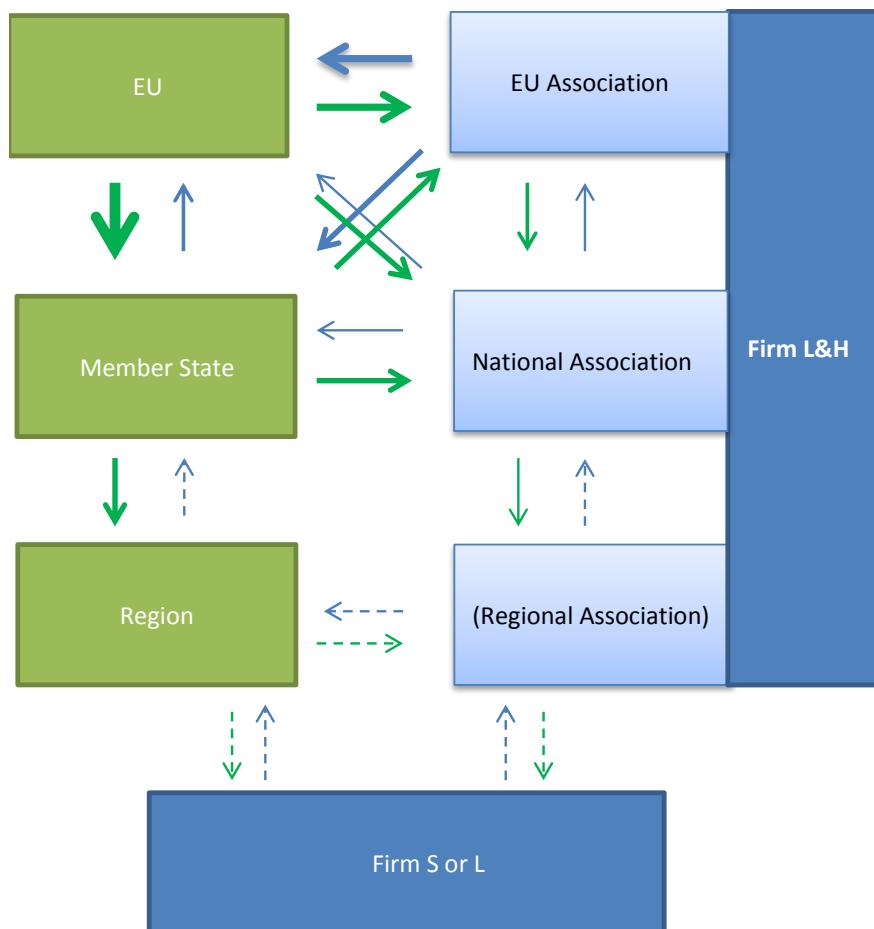
example, regions or Member States in the Council of Ministers will push forward positions on which they are certain, and leave the room for others to take a stance on the positions on which they are not knowledgeable. They can give in on those bargaining chips (as no one in the constituency seems to strongly oppose or want something), while in return asking for other things.

Second, the small firms or firms in less concentrated sectors also failed at contributing. They did not know or seem to care much about trade negotiations. Most of them were member of an association, but did not seem to take part in or contribute much to their representational activities. It would be unreasonable to expect that they define positions on trade negotiations, trade policy (or maybe even just policy in general). They did not meet the basic requirements for engaging on this. In addition, firms can be reluctant to share information due to strategic reasons and out of fear this could be disclosed. The only thing governments could do is raise awareness among firms.

The large firms operating in concentrated sectors did lobby on trade negotiations, at the European and national levels and in that order. When the conflict gets expanded to the regional level by other counter lobbying actors the firms did make the effort to target that level too. The firms preferred lobbying through associations, but targeted policy makers directly when they felt the need to reinforce the association's work or when their interests were not in line with the association.

After having closely investigated both the flows of information between public actors (and specifically at the regional and national level) and the flows of information stemming from firms, I now zoom out again, and the following picture (as depicted by figure 7 on the next page) emerges as a result, showing the flows of information I could observe between the public and private actors. The further away an actor is situated from the actors where the information originates (the EU Commission negotiator for top-down information; the firms for bottom-up information), the less information seeps through. Certain actors, especially smaller firms or firms in less concentrated sectors get lost in the preference aggregation process. Only the strongest may remain: those with most of the information and/or formal powers on the public side, and those with the highest amount of resources and strongest incentives on the business side. Contributing to policy making, in this view, is extremely challenging and costly both for public and private actors.

Figure 7: Flows of information between public and private actors.



This dissertation provides several contributions to existing research. It is innovative at the conceptual level, and introduces useful and clear concepts. The multidisciplinary nature of the research and the connecting of different literatures fills gaps in them. For example, it connects and contributes to both the literatures on EU trade policy-making and on regionalism/federalism. The literature on EU trade policy-making had not taken the regional level into account, whereas the literature on (European) regions had not focused on trade or external economic policies. It adds to the literatures on principal-agent and on firm lobbying on trade policy. The dissertation contributes to the formation of a logic behind firm lobbying on trade policy, rendering it interesting from a theoretical point of view. Another type of contribution is at the empirical level. Data and information

were gathered on regional authorities and their coordination with other levels of government, on the topics discussed in four FTA-negotiations, and on firms' lobbying strategies and targets.

The main limitations of this research concern the generalizability of the findings. Case studies are specific in nature. The main goal is to study a case thoroughly and to disentangle generalizable from idiosyncratic features. Certain factors were difficult to control for, but these were then discovered and discussed during the analyses – which was possible thanks to the exploratory nature of the research. The findings were made with a focus on trade negotiations, it would be interesting to investigate other policy fields. Last, this research took place within the setting of a Policy Research Centre, with the original project being on regions involvement in trade negotiations and hence of smaller scope. Therefore, there was less freedom to make adaptations. What would therefore be interesting is to check whether the picture of information holds for everyone.

Interesting for future research would be to further open the black box of European associations' memberships. They combine membership of national associations and the big players, multinational firms. The multinationals in the sample were also member of national and, when they existed, regional associations. This means they actively take part in associations at all levels, whereas the smaller ones only represent themselves at one level (maximum two, being regional and national) and mentioned not being very active. Distinguishing between active and passive members in associations seems a promising path forward. Another interesting path would be to explore how parties relate to this picture. Parties might very well be the actors that are representing at several levels, and potentially the 'public' actors transcending all the levels (just like the large firms in highly concentrated sectors too on the private side). However, regional parties do not transcend the separate levels, would these parties consider trade policy, and to which level of specificity? Further, national parties join a European party, which may therefore create different dynamics. A last interesting topic would be to figure out to what extent the findings on non-lobbying and ignorance hold for other actors (for example trade unions or NGOs).

As touched upon in the second chapter, optimal policy is not necessarily desirable from a normative point of view. Trade negotiations have caused fierce protest from citizens and activists. The Transatlantic Trade and Investment Partnership seems to spark the debate again on the desirability of trade agreements. I refrained from taking any normative stance during the research, or at least tried to as much as possible. In the end, I can't help but wonder about the complexity of the international trade regime(s), and of those negotiations. On the one hand, a great number of firms may benefit from lower trade barriers and good customs procedures. On the other, I can't help but feel uncomfortable by seeing how active and capable multinational firms are at representing their interests on them, by employing many channels. When information reaches policy makers from

several angles, and they hear this repeatedly, this may affect their reception of the information. Especially when it comes from different angles and may have been recycled several times or in different forms: from the member states (that may have been lobbied by the multinationals too), from the associations (in which the multinationals sit), and from the multinationals themselves. The information that reaches policy makers could thus be more biased in favor of them than assumed. If those large players lobby directly – at several levels; and dominate associations – at several levels; then how can policy makers (or anyone for that matter) be certain that those proposals will be (as) beneficial to all types of firms? Especially when those small firms may not have a clue about the existence or content of the negotiations. The small firms mentioned relatively straightforward things: less bureaucracy, functioning customs (for example in the case of having to import and export broken goods under warranty again), etc. The multinationals did not fear complexity as much, they were for example more concerned about predictability, implementation or the nature of policies and rules (preferably evidence-based), as complexity is something they are able to manage. Even though I do not argue that the influence from big business into trade negotiations goes unchecked, as societal actors are keeping a close eye on trade negotiations, or at least certain negotiations. However, it could be interesting to check in further research whether there is a possibility that big business engages more in so-called ‘relational lobbying’ (long term lobbying and policy support on a broader range of topics) vis-à-vis societal actors that might engage more frequently in ‘transactional lobbying’ (focused on a shorter term, on a specific topic), and the potential causes. I have a sense that this could hold to a certain extent, and, in combination with my findings that several communication lines are combined by the large firms operating in highly concentrated sectors, this could then provide support for the claim that big business dominates behind the curtains, whereas societal actors pick specific battles. Big business can lose some of those battles, but certain things may pass without notice. For example, it was in part because of the potential spillovers between CETA and TTIP, that CETA suddenly got attention as well.

Last but not least, separating firms from the associations representing them in research on interest representation is recommendable. Since associations representing firms are driven by separate incentives – such as survival, proving their worth and usefulness to their members, they are motivated to play a role in policy making. This constitutes one of their core tasks, and if (some) members ask for certain things, they will cater to them. The louder a member shouts, the higher the chance the association will take action. A dynamic that may also count for political actors when taking into consideration societal interests.

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12. Annexes

1. Data on regional indicators

2. GDP (time period: 'latest'³⁵)

Code	Region	GDP
ITC1	Piemonte	126.101
ITD5	Emilia-Romagna	137.678
ITD3	Veneto	148.311
ES61	Andalucia	149.950
ITE4	Lazio	172.864
BE2	Vlaams Gewest	189.255
UKM	Scotland	189.562
ES30	Madrid	194.391
DE9	Niedersachsen	199.623
ES51	Cataluna	204.103
DE7	Hessen	207.359

3. GDP per Capita (time period: 'latest')

Code	Region	GDP per capita
ITD4	Friuli-Venezia Giulia	29.391
UKN	Northern Ireland	29.868
ITC2	Valle D'Aosta	30.601
ITD3	Veneto	30.691
ES22	Navarra	30.696
BE2	Vlaams Gewest	30.715
ITD2	Provincia Autonoma Di Trento	30.957
ITE4	Lazio	31.085
ES30	Madrid	31.408
DE1	Baden-Wuerttemberg	31.813
ES21	Pais Vasco	31.988

4. Population (time period: 'latest')

Code	Region	Total population
ITG1	Sicilia	5.029.683
UKM	Scotland	5.156.500
ITE4	Lazio	5.561.017
ITF3	Campania	5.811.390

³⁵ We selected the category 'latest' for the time period. Mostly, the latest available data is from the year 2008. Except for where the 2008 data is not available (e.g. for Italy the data on GVA in 2008 is not available), the Regional explorer then shows the data for 2007.

DE7	Hessen	6.072.555
BE2	Vlaams Gewest	6.161.60
ES30	Madrid	6.189.297
ES51	Cataluna	7.238.051
DE9	Niedersachsen	7.971.684
ES61	Andalucia	9.046.131
ITC4	Lombardia	7.971.684

5. Area (time period: 'latest')

Code	Region	Total population
ES12	Asturias	10.604
ITF1	Abruzzo	10.635
ES62	Murcia	11.313
AT31	Oberoesterreich	11.867
AT33	Tirol	12.493
BE2	Vlaams Gewest	13.364
ITF3	Campania	13.392
UKN	Northern Ireland	14.150
ITF6	Calabria	14.753
DEF	Schleswig-Holstein	15.799
DEG	Thueringen	16.172

6. GVA in sectors A-B: agriculture, hunting, forestry and fishing (time period: 'latest')

Code	Region	GVA A-B, millions of USP PPP
DE4	Brandenburg	1.095
ITG2	Sardegna	1.233
DEF	Schleswig-Holstein	1.241
DE7	Hessen	1.283
AT12	Niederoesterreich	1.482
BE2	Vlaams Gewest	1.594
DEB	Rheinland-Pfalz	1.622
ES62	Murcia	1.739
ES24	Aragon	1.752
ITF6	Calabria	1.763
ES43	Extremadura	1.852

7. GVA in sectors C-E: mining and quarrying, manufacturing, electricity, gas and water supply
(time period: 'latest')

Code	Region	GVA C-E, millions of USP PPP
ITE1	Toscane	23.982
ES30	Madrid	29.996
DEB	Rheinland-Pfalz	30.900
UKM	Scotland	33.681

ITC1	Piemonte	34.007
BE2	Vlaams Gewest	39.121
ITD5	Emilia-Romagna	40.768
ITD3	Veneto	45.120
DE7	Hessen	46.026
ES51	Cataluna	52.349
DE9	Niedersachsen	56.356

8. GVA sectors G-I: wholesale retail trade repair of motor vehicles, motorcycles and personal and household goods; hotels and restaurants; transport storage and communication (time period: 'latest')

Code	Region	GVA G-I, millions of USP PPP
UKM	Scotland	39.436
DE9	Niedersachsen	41.587
ES61	Andalucia	42.138
DE7	Hessen	46.483
ITE4	Lazio	46.578
BE2	Vlaams Gewest	47.255
DE1	Baden-Wuerttemberg	59.871
ES30	Madrid	61.625
ES51	Cataluna	62.673
DE2	Bayern	72.697
ITC4	Lombardia	74.405

9. GVA sectors J-K: financial intermediation; real estate renting and business activities (time period: 'latest')

Code	Region	GVA J-K, millions of USP PPP
DE6	Hamburg	33.804
ITC1	Piemonte	37.332
ITD5	Emilia-Romagna	39.062
ITD3	Veneto	39.517
ES61	Andalucia	39.953
BE2	Vlaams Gewest	54.362
UKM	Scotland	55.601
DE9	Niedersachsen	57.872
ES51	Cataluna	57.925
ITE4	Lazio	58.034
ES30	Madrid	70.052

2. Interview guide Regions

[Goal is to know whether the region is aware of the importance of trade policy, of the domestic sectors and the developments at the EU and international levels, whether they try to push through something, how they handle this, and whether they perceive the Commission follows (or not) what they say or want.]

My name is Margaux Kersschot, I am a PhD researcher at the University of Antwerp and am working for the Policy Research Centre International Flanders, coordinated at the Leuven Centre for Global Governance. My project works on how regional authorities follow up trade policy, and trade agreements more specifically.

1. You are working for the Government of Hessen, and are working on trade: what is your official function? What are your main tasks? [Avoid long answer.]
 - a. Does your government have an interest in the EU's common commercial policy? How many people – in full time equivalent.
 - b. What is their background? (diplomats, ...)
 - c. Is there a division of work according to different criteria (per FTA, per topic, ...)? How are the tasks divided (per FTA, per topic, ...)
 - d. When following trade policy, are there specific persons that follow up provisions on :
 - i. intellectual property,
 - ii. competition,
 - iii. services,
 - iv. investment?
 - e. *Could you briefly explain how FTAs are being discussed in the Working Party Trade Questions (Council of Ministers)? Are there any other committees next to the TPC and Working Party Trade Questions where FTAs are discussed? (Enkel aan de nationale!)*

[Get an overview of the follow up of EU trade policy.]

2. What does your department/agency/ organization consider as the most important trade related interests.
3. I would now like to talk about the follow up at EU-level. [priority]
 - a. With whom do you coordinate your follow up of trade policy?
 - b. Do other services sometimes ask specific questions, or do they ask for your advice more generally?
 - c. What happens when a region does not agree on a specific case? What are the consequences for Spain to take a position, and who decides on the final position?

[zicht krijgen op relatie regionale departementen en agentschappen, nationale actoren en of belangengroepen contacteren]

4. Could you elaborate on your relations and cooperation activities with:
the regional government – department Foreign Affairs?
 - a. How is their role separate from yours?
 - b. Is this coordination about the EU's external trade policy?
 - c. Is this more to get information in order to decide on policy, or do you decide jointly on the policy/ positions that you will defend)?
5. Cabinet Foreign Affairs?
 - a. How is their role separate?
 - b. Is it about external trade policy?
 - c. For information or to decide jointly?

6. Federal government? Foreign Affairs
 - a. How is their role separate?
 - b. Is it about external trade policy?
 - c. For information or to decide jointly?
7. Federal Government, Economic affairs? op federaal niveau?
 - a. How is their role separate?
 - b. Is it about external trade policy?
 - c. For information or to decide jointly?
8. Cabinets at federal level
 - a. Their role?
 - b. Trade policy?
 - c. Info or joint decision?
9. Regional Trade promotion agency? National trade promotion agency?
10. Regional representation to the EU? National representation to the EU?
11. Contacts with the Representations abroad?

12. I would now like to ask you about contacts with EU institutions in Brussels.
 - a. Are there contacts between your department/agency/organization and the EU Commission? -> with whom: DGs, Cabinets of commissioners, ...
 - b. Are there any contacts with the European Parliament? With whom: MEPs, staff, ...
13. Is there any cooperation with other actors at the EU-level? E.g. other regions, MS, NGOs, associations, ...
 - a. Do you contact EU-actors? (explain)
 - b. How do they respond?
 - c. Do you get contacted?
14. Are you active in the Brussels' community?
 - a. In which ways you are active? (e.g. workshops, receptions, ...)
 - b. what goal(s) do you pursue, and how do you pursue them?
15. Do you determine a position with respect to trade policy? How?
 - a. On what information is this position based?
 - b. Where do you receive this information from? [source]
 - c. Could you elaborate on possible exchanges of information, the flow of information?
 - d. Are there any difficulties in obtaining the information, or is there any information you can't accede to? (What kind of info?)
 - e. Do you have a clear overview of your country's interests? Do you e.g. know what the different sectors in the economy want or need? For which sectors do you know this, and how come? For which sectors you don't?

16. Now I am about to ask you questions about contacts with firms, associations, NGOs and trade unions. With respect to European trade policy, do you have contacts with associations, firms, NGO's and/or trade unions?
 - a. In cases so, who initiates these contacts?

- i. If he says 'we initiate': On what basis do you decide to enter into contact with a player? What do you need from them?
- ii. If the others initiate contact: What determines whether you will pay attention to it?
- b. In case these players want to communicate their preferences on trade policy, is it easy for them to know who to contact?
- c. In case you have been contacted by these players, do you inform them on the position taken in the negotiations and do you debrief them afterwards on the negotiations?
- d. Do those contacts provide sufficient information for you to know the trade-related interests of all the sectors in region/country? Which ones do you know and which ones do you not know?
 - i. Does this count as much for sectors with export-oriented interests as for sectors that fear foreign competition?

[Get an overview of the perception of the EU level, and their actions at the EU level.]

17. What does your department/agency/organization do in the following situation:

First, you find out that the EU Commission is defending something in the negotiations that is unacceptable to your region/country/organization, what do you do?

18. Second, you find out that the Spanish government is defending something in the TPC or the Council of Ministers that is not acceptable to your region/country/organization, what do you do?

19. In matters of trade policy: what do you think of the Commission's behavior?

- a. Do you believe it is pursuing the goals you would like it to pursue? How/why/...
- b. Does it differ per set of trade negotiations (e.g. different for US than for Japan? Cfr last questions)

I am following up specific FTA negotiations, namely with Korea, Japan, the US and Canada. I will now ask you a number of specific questions to cover a number of aspects in these negotiations. The information can be treated in a confidential way for the ongoing negotiations.

20. For the FTA negotiations with Korea: What did you do in the follow up of the FTA negotiations ?

- a. Were there specific issues in the fields of trade in Goods and Services of importance to your region?
 - i. If yes: How did you try to make sure the TPC and Council of Ministers would follow your preferred direction?
 - ii. How did it continue? (Explain the situation, the positions of the member states / other actors or regions / what was the discussion about, what was the reaction, how did it continue and how did it end?)
- b. Were there specific issues related to Intellectual Property of interest to your region?
- c. And issues related to investment provisions?
- d. Competition provisions?

21. Now I will ask the same for the ongoing EU negotiations with Canada : What did you do in the follow up of the FTA negotiations ?

- a. Anything in particular on Goods?
 - b. Services?
 - c. Intellectual Property?
 - d. Investment?
 - e. Competition?
22. We now go through the TTIP negotiations, with the US: What did you do in the follow up of the FTA negotiations ?
- a. Goods?
 - b. Services?
 - c. Intellectual Property?
 - d. Investment?
 - e. Competition?
23. And lastly for the EU-Japan negotiations:
- a. Goods?
 - b. Services?
 - c. Intellectual Property?
 - d. Investment?
 - e. Competition?
24. As a conclusion, how would you characterize the follow up of trade policy in Spain? What makes it different (or what not)?

25. COULD YOU GIVE ME CONTACTS FROM ...

3. Lists of interviewed actors

Case of Flanders			
N°	Respondent	Date	Venue
1	Interview with Flemish Department of Foreign Affairs (DiV)	3/07/2012	Brussels
2	Interview with FPS Economy, SME, Middle Class and Energy, General Direction Economic Potential, Service for Trade Policy	4/07/2012	Brussels
3	Interview with Interview with FPS Economy, SME, Middle Class and Energy, General Direction Regulation and Organisation of the Market, Service for Intellectual Property - Judicial and International Affairs	7/11/2012	Telephone
4	Interview with Flanders Investment and Trade	8/07/2013	Telephone
5	Interview with Flanders Investment and Trade	06/08/2013	Brussels
6	Interview with FPS Economy, SME, Middle Class and Energy, General Direction Economic Potential	27/08/2013	Brussels
7	Interview with Flemish Department of Foreign Affairs (DiV)	27/08/2013	Brussels
8	Interview with Walloon Department of Agriculture, Natural Resources and Environment	5/09/2013	Brussels
9	Interview with FPS Foreign Affairs, Foreign Trade and Development Cooperation, Directorate General European Affairs, E5: trade policy EU-WTO	09/09/2013	Brussels
10	Interview with Cabinet of Kris Peeters, Minister-President of the Government of Flanders, Flemish Minister for Economy, Foreign Policy, Agriculture and Rural Policy	20/09/2013	Brussels
11	Interview with Cabinet of Minister Vande Lanotte, Minister for Economy, SME, Middle Class and Energy	27/09/2013	Brussels
12	Interview with Cabinet of Minister Reynders, Minister for Foreign Affairs, Foreign Trade and Development Cooperation	30/09/2013	Brussels
13	Interview with Verbond van Belgische Ondernemingen	4/11/2013	Brussels
14	Interview with Flanders' Chamber of Commerce and Industry (Vlaams Netwerk van Ondernemingen - Voka) and Flanders-EU liaison office (VLEVA)	7/11/2013	Brussels
15	Interview with Flemish Representation to the European Union	15/04/2014	Brussels
16	Interview with Flemish Department of Foreign Affairs (DiV)	15/04/2014	Brussels

Case of Hesse

N°	Respondent	Date	Venue
1	Federal Ministry for Economic Affairs and Energy	17/06/2014	Telephone
2	Hessian Ministry of Economic Affairs, Energy, Transport and Regional Development	23/05/2014	Telephone
3	Representation of the State of Hesse to the EU	7/04/2014	Brussels
4	Vereinigung der Hessischen Unternehmerverbände / Hessen Metall		Telephone
5	Bundesverband der Deutschen Industrie	26/05/2014	Brussels

Case of Scotland

N	Respondent	Date	Venue
1	Scottish Government EU Office	21/01/2015	Brussels
2	Scottish Government Business Directorate	15/01/2015	Brussels
3	Scotland Europa / Scottish Development International / Scottish Enterprise	05/02/2015	Telephone
4	Scotland Office (part 1)	22/07/2014	Telephone
5	Scotland office (part 2)	25/07/2014	Telephone
6	UK Department For Business, Innovation and Skills	20/03/2015	London
7	Scotch Whisky Association	16/03/2015	Edinburgh
8	UKTI	24/06/2015	Telephone

4. HHI index for EU aggregates in 2003

sector	average HHI EU25 (regular) ³⁶	level of concentration
Tobacco	6091	high
coke, refined petroleum and nuclear fuel	1380	moderate
supportive and auxiliary transport activities	1030	moderate
office machinery and computers	923	low
air transport	454	low
Construction	391	low
collection and distribution of water	391	low
electricity, gas steam and hot water supply	388	low
radio, TV and communication equipment	385	low
real estate activities	310	low
Recycling	293	low
other transport equipment	248	low
basic metals	174	low
other business activities	166	low
pulp and paper	158	low
electrical machinery	107	low
chemicals and chemical products	92	low
motor vehicles	90	low
medical, precision and optical instruments	73	low
computer and related activities	64	low
Textiles	54	low
other non-metallic mineral products	54	low
wood and cork	52	low
clothing, dressing and dyeing of fur	49	low
Leather	47	low
furniture, manufacturing	47	low
rubber and plastic products	41	low
Printing	38	low
water transport	31	low
research and development	31	low
machinery and equipment	30	low
post and telecommunications	25	low
food and beverages	23	low
wholesale trade and commission trade	16	low
hotels and restaurants	11	low
fabricated metal products	10	low
land transport, transport via pipelines	7	low
sale, maintenance and repair of motor vehicles and motorcycles	6	low
retail trade and repair	5	low
renting of machinery and equipment	5	low

Source: Peneder, M. (2009). *Sectoral Growth Drivers and Competitiveness in the European Union*. Luxembourg: Office for Official Publications of the European Communities. Retrieved from http://ec.europa.eu/enterprise/newsroom/cf/itemdetail.cfm?item_id=3297

³⁶ Peneder uses Regular HHI indices that uses the percentages of market share as whole number (e.g. 75 instead of 0.75). HHI indices range from 0 to 10 000 whereas the normalized HHI indices range from 0 to 1.

5. Word frequency analysis and text search queries

1. The analyzed documents

For all four FTAs all these documents were excluded:

- Doubles (e.g. *Daily news* and regular Inside US Trade article with the same content)

FTA	Number of doubles
TTIP	26
CETA	5
JAPAN	1
KOREU	9

- Leaks of CETA texts (2) published within the section ‘TTIP’ on Inside US Trade
- 4 reactions of US stakeholders that were stored under KOREU

2. Word frequency analysis

Word Frequency queries were used to list the most frequently occurring words in all the documents per FTA. This helped to identify themes and concepts. Included for the analysis were only the 1000 most frequent words for TTIP and the 500 most frequent words for the three other FTAs. The word count settings were set on ‘including stemmed words’ and excluding all words with 3 or less letters (such as: and, you, ...). Nvivo then automatically groups variations of the same word in one category, e.g. ‘standard, standards, standardization’. The advantage is that it is easier to find concepts because all the words in such a category are referring to the same. The results differ from those when running the query for exact words; grouping similar words together means that other concepts appear higher in the list. Almost 4000 words that occur less than 10 times in all documents were excluded. These words can hardly be considered as useful in uncovering the relevant issues in the negotiations.

After running this query, the words were sorted in ascending order according to their absolute frequency in alphabetical order (instead of ascending according to their relative percentage in alphabetical order). Several words had the same relative percentage but a different absolute word count, due to the large amount of data analyzed (which was mainly a problem with TTIP). The disadvantage of this method is that words in pieces of text that are not related to the actual FTA, but part of a larger text that is somehow related to trade policy are also counted. Manual control and deletion of these references required a substantive amount of time and work due to the large dataset. The results present a good indication of which words were important in the FTAs.

The manual control meant selecting the relevant words on the basis of the issues already manually coded and processed and, in case of doubt by having a look at the contexts in which they appeared. The non-meaningful words, such as for example ‘however’, were deleted from the list as well as general terms such as ‘trade’, ‘free’, ‘significant’, ‘state’, ‘country’, ‘economic’, ‘informs’, etc. Mostly nouns were selected, contrarily to verbs.

Next, Nvivo was used to build word trees for the *exact* words. In each word tree the different branches represent the various contexts in which a particular word occurs. This enabled to find recurring themes or phrases that surround the word. The words at the top of the word frequency query list for each FTA generated very large word trees (e.g. services, products, etc.). Here, only the ‘hit’ phrases were selected. Although less occurring but still important phrases were not selected at this point, they were selected at a later stage because the words used in their proximity did show up later on in the list. When a word tree delivered no meaningful phrases, the word was deleted.

After running the word trees this resulted in the following number of selected words for each FTA. For these words further text search queries were conducted.

FTA	Number of selected words
TTIP	180 (+ 37 no text search query executed)
CETA	194
JAPAN	168
KOREU	119

3. Text search analysis³⁷

Next, text search queries were conducted to have a better estimate of which issues are prevailing in the FTAs. I looked at the number of sources and the number of references each phrase had. At this stage, the coding was spread to include a broad context, which allows for better interpretation of how and when the word is used. The down side is that this results in less references than when coding is not spread, now when in one piece of text both terms occur multiple times together they are only counted once for that particular piece of text.

In addition, in this particular kind of query only two words can be entered, this means that concepts with more than two terms, only the first and last word of the term are entered in the query. However, after some checks, it became clear this resulted in fairly accurate results, because the terms in a phrase are often used in only one manner. The word distance indicates the maximum number of words that can occur in between the two words entered in the text search query. Mostly the distance is one word less than the number of words in a certain phrase, disregarding of words like and, or, of, etc. Nvivo settings have a minimum of 1 word in between.

³⁷ For TTIP not all selected words from the word search query were tested for in a text search query. We stopped at ‘sensitive’.

4. Influencing the results

- For CETA, I obtained many leaked documents and the final adopted text in our database (all provided through Inside US Trade). This could mean that other phrases appear because of the many pages these documents count.
- For KOREU those phrases that clearly referred to the US-Korea agreement were not selected. Many of those phrases showed up in the word trees because the Inside US Trade articles often made a link between the EU-Korea agreement and the US-Korea agreement. Inside US Trade remains a US-oriented news outlet. In addition, the phrases had very low reference and source counts.
- For Japan we included questionnaire responses of stakeholders participating in the consultation, due to the fact that each question appears multiple times, phrases used in this questionnaire appear high in the list. I indicated each time a phrase formed part of the questionnaire.
- For TTIP the end-database was far more diverse than for the three other FTAs.

The lists of issues according to importance can be found in Annex VI.

6. Issues according to importance

Issues frequently mentioned in TTIP (in descending order)

1. Food safety → Food sector
 - a. Sanitary & Phytosanitary standards/measures
 - b. US beef
 - c. precautionary principle (regulation & GMOs, hormone treated beef, ... scientific evidence/science-based standards)
 - d. animal health ; welfare
 - e. plant health
 - f. (organic)
 - g. growth hormones/ artificial growth hormones
 - h. meat products
 - i. hormone treated beef
 - j. pathogen reduction treatments
 - k. plant protection
 - l. animal origin
2. Regulatory cooperation
 - a. Regulatory coherence ; convergence ; compatibility ; barriers ; regimes ; harmonization; coordination
 - b. mutual recognition
 - c. conformity assessment
 - d. precautionary principle (also GMOs, hormone treated beef, ...)
 - e. financial instruments
 - f. finance insurance
 - g. testing & certification
 - h. labelling requirements
 - i. technical regulations and conformity
 - j. recognition of equivalence
 - k. standards & conformity
 - l. accreditation
 - m. toxic substances
 - n. recognition agreement
 - o. manufacturing practices
 - p. risk management

- q. regulatory reform
 - r. capital markets
3. appropriation
 4. ISDS
 5. gas
 6. Market access
 7. oils
 8. Intellectual property issues
 - a. GI (-> mentioned often in the context of the food & drinks sector)
 - b. Rules of origin (-> mentioned often in the context of textiles, car parts, food sector)
 - c. Patents (-> pharmaceutical industry, technology, ...)
 - d. Trademarks (-> food sector, all industries)
 - e. Copyright, protection of author rights, ... (-> audiovisual services, chemistry, pharmaceutics, technology)
 - f. Patent protection
 - g. Pharmaceutical patent
 - h. Copyright protection/ protection of copyright
 9. Data protection
 - a. Trade secret misappropriation
 - b. (Protection/protect) confidential business/commercial information
 - c. Data privacy ; privacy protection
 - d. Safe harbor
 - e. Transfer of (personal) data
 - f. Cloud computing
 - g. Digital trade
 - h. Data protection reform
 - i. Data transfers
 - j. Confidentiality of trade secrets
 - k. data exclusivity (for biologics)
 10. Non-tariff barriers
 11. Technical barriers
 12. Sensitive sectors (in descending order of importance)
 - a. financial services → post financial crisis measures that are not in accordance with each other ; US banks
 - b. auto and motor vehicles

- c. machinery & equipment
- d. transport equipment
- e. audiovisual services
- f. air transport
- g. electrical machinery
- h. dairy sector/ dairy export
- i. electronic equipment (appliances and parts/ parts and components)
- j. health service
- k. fuel suppliers
- l. machinery vehicles
- m. insurance business/services
- n. water transport
- o. computers and electronic
- p. transport services
- q. sensitive labo rand170al products: beef & pork, meat & poultry, meat industry, beef products, dairy farmers, beef production
- r. pharmaceutical products
- s. maritime transport
- t. non-electrical machinery
- u. computer services
- v. hardware
- w. digital products

13. Investment :

- a. ISDS
- b. fair and equitable treatment
- c. ICSID
- d. Dispute settlement
- e. Indirect expropriation
- f. Public hearing
- g. International arbitration
- h. Investment arbitration
- i. Non-compliance
- j. Investor-state arbitration
- k. Legal proceedings
- l. Arbitration tribunals

14. Tariff barriers

- a. Customs duties
- b. Tariff lines
- c. Import duties
- d. Duties & taxes
- e. border barriers

15. Goal of the agreement / public goals

- a. Job creation (Unemployment rate)
- b. Economic growth
- c. Economic integration
- d. Digital economy

16. Side effects of trade: areas that face consequences of trade (race to the bottom)

- a. Environment ; greenhouse gas emission
- b. Labor and social policy
- c. Labor standards/labor rights
- d. Labor market
- e. Climate policy
- f. CO2 emissions
- g. Health insurance
- h. Climate policies
- i. Unemployment insurance
- j. Immigration reform
- k. Labor protection
- l. Carbon emissions

17. Raw materials & energy

- a. Natural gas
- b. Fuel suppliers
- c. Shale gas
- d. Crude materials
- e. Fuel subsidies

18. National treatment

19. Competition policy :

- a. state-owned enterprises
- b. Unfair competition
- c. Government subsidies

- 20. Rules of origin
 - a. Country of origin
 - b. Local (content) requirements
- 21. E-commerce, electronic commerce
- 22. Negative list vs. positive list
- 23. Visa
- 24. Auto safety/ car safety
 - a. Traffic safety
- 25. Property rights protections
- 26. Tariff rate quota/ TRQ
- 27. Scientific research
- 28. Procurement
 - a. Local government procurement
- 29. Capital markets
- 30. Banking union

Issues frequently mentioned in CETA

1. Market access
 - a. Market access for cheese
2. Cross-border services/ services industry
3. Sensitive sectors:
 - a. Financial services
 - b. Transport services/ transportation services
 - c. Business services
 - d. Insurance services
 - e. Legal services
 - f. Health and social services
 - g. Maritime transport (services)
 - h. Road (freight) transport
 - i. Road haulage and road passenger transport
 - j. Education services
 - k. (health-related) professional services
 - l. Water transport
 - m. Alcoholic beverages/ liquor
 - n. Motor vehicle(s)
 - o. Higher education
 - p. Veterinary services
 - q. Commercial marine activity
 - r. Agricultural products
 - s. Food products
 - t. Air transport services
 - u. technical testing and analyses/consulting services
 - v. public transport
 - w. fish products
 - x. air navigation services
 - y. health care
 - z. forest (and logging) products
 - aa. architectural services
 - bb. air services
 - cc. distribution services
 - dd. engineering services

- ee. management services
- ff. agriculture and food products/ agricultural goods
- gg. pharmaceutical products
- hh. urban planning and landscape architectural services
- ii. dairy products/ dairy industry/dairy producers
- jj. environmental services
- kk. information technology
- ll. transport equipment
- mm. (rail) transport equipment
- nn. Machinery and equipment
- oo. Agriculture products
- pp. Credit reporting services
- qq. Industrial cheese
- rr. Postal services
- ss. Wine and spirits
- tt. Medical devices
- uu. Generic pharmaceuticals
- vv. Electrical and electronic equipment
- ww. Processed foods

4. Regulations:

- a. Performance requirements
- b. Economic needs test
- c. Non-originating materials
- d. Commercial presence
- e. Rights and obligations
- f. Mutual recognition (of professional qualifications)
- g. Terms and conditions
- h. Regulatory cooperation
- i. Health and safety
- j. Technical barriers
- k. Food safety
 - 1. Animal health
- l. Non-tariff barriers
- m. Consumer protection
- n. Provisional application

- o. Management system
 - p. Environmental regulations
5. Dispute settlement
 - a. Investor-to-state dispute settlement
 - b. Fair and equitable treatment
 - c. Investor-state arbitration
 - d. Treatment of investors
 - e. fair and equitable treatment obligation
 - f. dispute settlement mechanism
 - g. ISDS mechanism/provisions
 - h. Dispute settlement provisions
 6. Intellectual property rights
 - a. (protection and/criminal) enforcement of intellectual property rights
 - b. Intellectual property protection
 7. Natural persons/person; legal person
 8. Rules of origin/rule of origin
 9. Investment
 - a. Foreign direct investment
 - b. Foreign investment
 - c. Investment services
 - d. Covered investments
 - e. Investment protection
 - f. Foreign investors
 - g. Investment protection provisions
 - h. Non-discriminatory treatment
 - i. Investment protection rules
 10. Most-favored nation obligation
 11. Environmental issues
 - a. Aquaculture
 - b. Sustainable development
 - c. Environmental protection
 12. Energy and raw materials
 - a. Natural gas
 - b. Energy transmission and distribution
 - c. Oil & natural gas

- d.Oil and gas
- e.Natural resources
- f. Electricity and gas
- g.Crude petroleum
- h.Raw materials
- i. Renewable energy
- j. Distribution of water

13. Government procurement/public procurement

14. Tariffs

- a.Tariff rate quota
- b.Preferential tariff treatment
- c.Duty free
- d.Tariff lines
- e.Tariff rate quotas

15. Geographical indications

- a.Cheese names

16. Public interest

17. Financial institution(s)

18. Public health

19. Research and experimental development/ research and development/ research and innovation

20. (personal) data protection

21. Local government

22. National security

23. Regional development/rural development

24. Social security

25. State enterprise(s)

- a.Ownership and control

26. Real estate property

27. Human rights

28. Public policy

29. Law enforcement

30. Transparency of proceedings

31. Pension fund

Issues frequently mentioned in KOREU

1. Market access
2. Entry into force/enter into force
3. (provisional) safeguard measures
 - a. Safeguard clause/regulation
 - b. Korea-specific safeguard regulation
 - c. Provisional safeguard measure
 - d. Safeguard investigation
4. Regulations
 - a. Non-tariff barriers
 - b. Vehicle safety standards
 - c. Regulatory issues
 - d. Korean safety standards
 - e. Provisional application
 - f. Technical barriers
 - g. Technical regulations
 - h. Automotive non-tariff barriers
 - i. Sanitary and phytosanitary
 - j. Automotive provisions/Automotive standards
 - k. Regulatory barriers
 - l. Approval process
 - m. NTMs
5. Tariffs and duties
 - a. Duty drawback
 - b. (rate of) Customs duties
 - c. Import duties
 - d. Tariff lines
 - e. Tariff elimination
 - f. Percent tariff
 - g. Duty free
 - h. Tariff cuts/ eliminate tariffs
 - i. Tariff reductions
 - j. Duties paid
 - k. Tariff rate quota
6. Rules of origin/rule of origin

7. Sensitive sectors:

- a. Automaker(s)/ auto industry (EU)/ car makers/auto sector/automotive sector/automotive industry/auto imports/car sector/auto manufacturers/car manufacturers
- b. Agricultural products/agricultural sector
- c. Auto parts/motor vehicles and parts
- d. Financial services
- e. Consumer electronics
- f. Industrial and agricultural goods
- g. Dairy products
- h. Legal services
- i. Parts or components
- j. Food products

8. Environment

- a. Korean regulations for greenhouse gas emissions standards
- b. Sustainable development
- c. Emissions standards
- d. Climate change
- e. Environmental standards
- f. Carbon dioxide emissions

9. Transparency

10. Equivalence

11. Geographical indications

- a. GI protections/ protected as GIs
- b. Protection for geographical indications
- c. Cheese names
- d. Geographic indications
- e. Generic names

12. Intellectual property rights

- a. Intellectual property rights enforcement

13. Government procurement/public procurement

14. Competition policy

15. Negotiating mandate

16. Investment

- a. Foreign direct investment

- b. Dispute settlement mechanisms
- 17. Labor standards
- 18. Economic development
- 19. Imported parts
- 20. Public health

Issues frequently mentioned in EU-Japan negotiations

1. Market access
 - a. Barriers to trade
 - b. Trade barriers
2. Regulations
 - a. Non-tariff barriers
 - b. Technical regulations & standards
 - c. Regulatory cooperation
 - d. Mutual recognition
 - e. Conformity assessment procedures
 - f. EU – Japan regulatory reform dialogue
 - g. (standards and/mutual recognition of) conformity assessment procedures
 - h. Technical standards
 - i. SPS related barriers/ Sanitary and phytosanitary/SPS measures/ sanitary and phytosanitary measures
 - j. Divergent standards
 - k. Regulatory hurdles/divergence
 - l. Technical regulations and standards
 - m. Good laboratory practices for chemicals
 - n. Technical specifications
 - o. Non-tariff measures
 - p. Cultural preferences and behavioral patterns/cultural differences/cultural barriers
 - q. Testing and certification
 - r. Impact assessment
 - s. Regulatory issues
 - t. Elimination of non-tariff barriers
 - u. Food safety
 - v. Technical barriers
 - w. Regulatory dialogues
 - x. Removing non-tariff barriers/regulatory barriers/convergence
 - y. Standards and certification/certification and regulatory processes/(standards and/convergence/harmonization of) certification (and regulatory) processes
 - z. Consumer protection
 - aa. Sectoral cooperation
 - bb. Mutual acceptance of standards

- cc. Equivalence/equivalent product standards
 - dd. Remove non-tariff barriers
 - ee. Administrative burdens
 - ff. GPA rules
 - gg. Common principles/rules
 - hh. Health inspections
 - ii. Early warning system
 - jj. Enforcement mechanisms
 - kk. Technical requirements
- II. (enhanced) cooperation among patent offices

3. Environment

- a. Sustainable development
- b. Environmental protection
- c. Environmental effects
- d. Climate change
- e. Environmental goods

4. Transparency

- a. Lack of transparency
- b. Greater transparency

5. Public procurement/government procurement

- a. Railway procurement

6. Intellectual property rights

- a. (protection of/and enforcement of certain) intellectual property rights
- b. Protection and enforcement of intellectual property
- c. Enforcement of certain intellectual property rights
- d. IPR protection
- e. IPR infringements

7. Investment

- a. Barriers to direct investment
- b. Barriers to investment
- c. Foreign direct investment
- d. Foreign investment
- e. Investment protection
- f. Investment rules
- g. investor-to-state dispute settlement (mechanism/system)

- h. fair and equitable treatment
- i. investment provisions
- j. (inward) FDI stock
- k. Outward FDI

8. Tariffs and duties

- a. Customs procedures
- b. Tariffs on industrial goods
- c. Tariffs on goods/products/industrial products
- d. Tariff rates
- e. Tariff peaks
- f. Tariff protection
- g. Low tariffs on goods
- h. Tariff rate quotas
- i. Elimination of tariffs/tariff reductions
- j. Elimination of EU duties
- k. Customs valuation
- l. Counterfeit goods
- m. Import tariff
- n. Customs duties

9. Domestic service suppliers

10. Energy and raw materials

- a. Natural resources
- b. Raw materials

11. Sensitive sectors:

- a. Electrical products
- b. Food and beverage export
- c. Financial services
- d. Food and drink products/food products/agri-food/food and drink sector; manufacturing industry/food and drink industries; companies
- e. Information and communication technology
- f. Dairy products
- g. Pharmaceutical industry/companies
- h. Railway and urban transport
- i. Manufacturing sector/industry
- j. Automotive sector/car sector

- k. Telecommunication services
 - l. Construction services
 - m. Consumer electronics
 - n. Technology industry
 - o. Maritime transport
 - p. Machinery and transport equipment
 - q. retail, wholesale and international trade sectors
 - r. leather goods/articles
 - s. digital technology industry
 - t. chemical industry/chemical products
12. Labor rights/public health
13. Competition policy
- a. Anti-trust/mergers/liberalization/trade aid
 - b. Mergers and acquisitions
 - c. (triangular) merger and acquisition (rules)
 - d. Competition rules
 - e. (triangular) merger scheme
14. Economic integration/economic growth/trade liberalization/growth and employment; jobs/reciprocal liberalization/growth and job creation
15. Negotiating mandate
16. Rules of origin
17. Human rights
18. Safeguard clause
- a. Operational safety clause
19. Research and development/research and innovation
20. Equal treatment of foreign and domestic suppliers/national treatment
21. Consumer preferences
22. Import penetration
23. Positive list

7. Interview guide Firms

Dit interview maakt deel uit van een onderzoeksproject naar belangenvertegenwoordiging door bedrijven inzake Europees handelsbeleid, dat wordt gevoerd aan de Universiteit Antwerpen en KU Leuven in het kader van het Steunpunt Buitenlands Beleid. Specifiek onderzoeken we op welke beleidsniveaus bedrijven zich richten en waarom ze zich richten op een bepaald beleidsniveau.

1. What is your function within the company?
2. Can you briefly describe the international character of your company?
 - a. On which foreign markets is your company active?
 - b. Which activities (where)?
3. Are there trade issues on these international markets your company is struggling with/ where your trade interests are violated?
 - a. If yes, which ones?
 - b. Which are the most important ones?
4. How important are free trade agreements for your company/the activities of your company?
Very unimportant – unimportant – neutral – important – very important
5. To what extent do you follow up free trade negotiations?
Daily – weekly – monthly – per quarter – never
6. Does your company takes on an explicit position on trade issues in free trade agreements? (could be internally, doesn't have to be publicly/externally communicated)

H4: The more concentrated the sector is, the more likely firms will lobby at multiple levels.

H1: The larger the firm, the more likely it will lobby at multiple levels

7. Can you describe the amount of consolidation/competition in your sector?
 - a. Are there a small number of large companies active in your sector?
 - b. On which level this amount of consolidation/competition is situated (Flanders, Belgium, Europe)?
 - c. What is your competitive position within the sector?

H3: A firm will have a resource dependent relationship with the level of government at the scale of its operations. (scale operations – legitimacy)

8. Your company has manufacturing plants all over Europe (eg. Belgium, Antwerp). Does this play a role in the company's advocacy strategy, in particular the level of government your company chooses to approach?
9. To which extent is your sector geographically concentrated?
 - a. Where and on which level does this concentration situated (Flanders, Belgium, Europe)?
 - b. Does this play a role in your interest representation, in particular the level of government your company chooses to approach?

H2: Firms will lobby at the national level because they are used to lobby there.

H2a: Firms will lobby at that level because they had previous success at that level.

10. At which level does your company advocates its interests?
 - a. The subnational level/ Flemish level? And why?
 - i. Administration: DIV
 - ii. FIT

- iii. Other departments/agencies
- iv. Politicians
- b. The national level/ Belgian level? And why?
 - i. Ministry of Economy
 - ii. Ministry of Foreign Affairs
 - iii. (Possibly Foreign Trade Agency)
 - iv. Other departments/agencies
 - v. Political parties
 - vi. Politicians
- c. The European level
 - i. European Commission
 - 1. DG Trade
 - 2. Other DGs
 - 3. Commissioner for Trade
 - ii. European Parliament
 - iii. PermReps of member states and regions

11. Does your company contacts multiple levels of government?

- a. What determines the choice of government level?
 - i. Does this has to do with past experiences of people who listened to you/have given consequence to your input?
 - ii. Do people at that level do something what makes that you contact them again?
- b. Is it easy to know who to contact/approach?
- c. Why (not) contact the subnational level/Flanders?

12. At which moment in time did your company started its advocacy efforts?

- a. Sense that something was going to happen, in response of a negotiating mandate, when the first round of talks was held, etc.

13. Does your company works through an association? If yes, which ones and why?

- a. Flemish (sector)federation?
- b. Belgian (sector) federation?
- c. European (sector) federation?

14. To which extent did you monitor the following issues in the free trade negotiations with South-Korea, Japan, Canada and the US?

	VS	Canada	Japan	Zuid-Korea
Regulatory cooperation: technical requirements & standards				
IP: patent (patent term, data exclusivity)				
Investment: ISDS				
Tariffs				

15. Your company is a member of the following association(s):

- a. Why did your company become a member?
 - i. Did your company become a member on the occasion of specific free trade talks?
 - ii. Is this to get more and/or better information on policies (eg. progress in EU trade policy?)
 - iii. Is this to direct the attention of policy makers to specific issues?
- b. How actively does your company participates in the association?

16. What does your company expect the association does?

- a. To which extent does this happen?
- b. Does the company get a debriefing?
 - i. How often does this happen?
Daily – weekly – monthly – per quarter – never
 - ii. How satisfied are you with the work of the association and why?
Very satisfied – satisfied – neutral – unsatisfied – very unsatisfied

17. Do you still have any questions or remarks?

[Check participant has not been left with any unfinished business, for ex: feelings unexpressed or issues of burning importance left unmentioned]

[end recording: thank the participant warmly, briefly say something about how her/his contribution will help the research. reassurances about confidentiality or the use of the interview data.]

Extra

Does the company sometimes works with consultancy or PR firms for advocacy purposes?

1. Do you think interest representation is useful?
2. What, in your opinion, is realized in the end? To what extent does your advocacy strategy meets your goals/objectives? / Do you think that what you reach with your advocacy efforts is in balance with what you have invested in advocacy?
3. In the future, will you invest more/the same/ less in interest representation?

8. Interview guide Associations

This interview is part of a research project focusing on interest representation of firms with regard to European trade policy, conducted at the University of Antwerp and the KU Leuven in the framework of the Policy Centre for Foreign Policy. Specifically, we examine at which government levels firms aim their efforts and why they choose a particular level.

18. Your association represents the pharmaceutical sector.

- a. In which foreign markets are your members active?
- b. Which activities (where)?

19. How important are trade agreements for the activities in your sector?

Very important – important – neutral – unimportant – very unimportant

20. To what extent does your association monitor international free trade negotiations?

Daily basis – weekly basis – monthly basis – per quarter – never

H4: The more concentrated the sector is, the more likely firms will lobby at multiple levels.

H1: The larger the firm, the more likely it will lobby at multiple levels

21. Can you give us an idea of the amount of competition within your sector?

- a. Is there a small number of large companies active in your sector? Or a large number of small companies?
- b. Is this at the subnational, national or European level?
- c. Do you have the impression that advocacy strategies of companies are different according to whether they are large or small companies?
 - i. Suggestion: small companies more often use associations than big companies (if not, why is not?)
 - ii. Suggestion: large companies more often lobby several levels of government than small companies
 - iii. Suggestion: large companies lobby at different levels than small companies
 - iv. Do financial resources play a role in their lobbying behaviour? (How...)

22. Which companies are active within your association? (coming with issues to the association that they like to see represented, problems that they want to see solved, giving information, etc.)

- a. Why are they active? / what makes that these companies companies/member organizations are active/more active than others?
 - i. Is it to draw attention of policy makers to certain aspects?
- b. Of which companies do you know that they are also representing their interests directly to the government (not going via an association)?
 - i. At which level of government? Or multiple levels?
- c. Does your association give a debriefing to your members on free trade agreements and the actions you have taken?
 - i. How often do you do this? Daily – weekly – monthly – per quarter - never
 - ii. How important are those debriefings for the firms concerned?
 - iii. Don't they get this information from the government?
 1. Not from the Flemish government?
 2. Not from the Belgian government? FPS Economy/Foreign Affairs
 3. Not from the EU?
 - iv. Where do you get that information?

23. According to you, what are the benefits for a company to work through an association? And what are the down sides?
24. Are there companies that use a double strategy (direct and through you)? Are there certain characteristics you can attribute to these companies?

H3: A firm will have a resource dependent relationship with the level of government at the scale of its operations. (scale operations – legitimacy)

25. Your sector has branches in the whole of FL/BE/EU, does this play a role in the representation of interests, more specifically in the level of government your association approaches?

H2: Firms will lobby at the national level because they are used to lobbying there.

H2a: Firms will lobby at that level because they had previous success at that level.

26. According to you, where do you think your companies represent their interests? [each time ask **why!**]

- a. Subnational level: Flanders (and why?)
 - i. Administration: DiV
 - ii. Trade & investment agency: Flanders Investment and Trade?
 - iii. Other departments/agencies?
 - iv. Politicians – because of their function
- b. The federal, Belgian level?
 - i. Administration: FPS Economy?
 - ii. FPS Foreign Affairs?
 - iii. Belgian Foreign Trade Agency?
 - iv. Politicians – because of their function
- c. European level:...
 - i. Political level – Commissioner for Trade
 - ii. Administration – DG Trade
 - iii. Other:....

27. Does your association contact multiple levels of government?

- a. What determines the choice for the level?
 - i. And does that argumentation also hold for companies that are member of your association?
 - ii. If you look at your own lobbying behavior: does the actor have to do with the actors that listened to you in the past / did something with your input? We thought it may be influenced by the success that you accomplished at that level?
- b. Is it easy to know whom you have to contact?
- c. Is it easier or more difficult for companies to know this than for you?
- d. Why not the Flemish government?

28. At which moment in time did your association become active? (=started its lobbying activities regarding the FTAs?)

Before the EC mandate was drawn up – on account of the negotiations on mandate in the Council – once the negotiations had started – once there is an agreement...?

- a. The companies that are member and that are active, do they become active sooner or later?

i. And why?

29. To what extent did your association monitor the following issues in the FTA-negotiations with South-Korea, Japan, Canada and the US?

Issue	USA	Canada	Japan	South-Korea
Regulatory cooperation: technical requirements & standards				
IP: patent (patent term, data exclusivity)				
Investment: ISDS				

30. Do you have any commentary, questions, remarks, ...?

[Check participant has not been left with any unfinished business, for ex: feelings unexpressed or issues of burning importance left unmentioned]

[end recording: thank the participant warmly, briefly say something about how her/his contribution will help the research. reassurances about confidentiality or the use of the interview data.]

Extra's

4. Does your association take an explicit position on these trade- issues in FTAs?
 - a. How does this position come about?
5. Do you think all this lobbying is useful?
6. What gets, to your opinion, realized in the end? To what extent do you think your lobbying strategy obtains what you want to obtain? / Do you think that what comes out of your lobbying activities is proportionate to what you have invested in it?
7. In the future, will you invest more/less/the same into the representation of interests?
8. Are there trade issues your sector is dealing with on these international markets?
 - a. If yes, which ones?
 - b. Which are the most important?

13. Samenvatting

Dit doctoraat onderzoekt de betrokkenheid van regionale overheden en firma's in de onderhandelingen van Europese vrijhandelsakkoorden. Het eerste luik van het onderzoek richt zich op multi-level coördinatie tussen verschillende overheidsniveaus.

Het onderzoek naar de coördinatie van regionale overheden toont aan dat regionale overheden actief kunnen worden op vlak van EU handelsakkoorden wanneer ze gecontacteerd worden door de privésector of wanneer ze formeel bevoegd zijn over het domein. Regionale overheden missen echter vaak informatie over economische belangen en kunnen bijgevolg niet altijd een positie innemen op vlak van handelsakkoorden.

Het tweede luik neemt het lobbygedrag van firma's onder de loep inzake de onderhandelingen van vrijhandelsakkoorden. Grote firma's in zeer geconcentreerde sectoren lobbyen op verscheidene niveaus. Bovendien nemen ze eerst het Europese niveau en nadien het nationale niveau in het vizier. Dit laat toe om specieker te zijn dan de huidige literatuur en te verduidelijken dat wanneer firma's lobbyen op handelsakkoorden ze dit meteen ook doen op meerdere niveaus en in een bepaalde volgorde. Slechts uitzonderlijk nam een firma actief het regionale niveau in het vizier, meer bepaald wanneer ze moest optreden tegen 'counterlobbying' van tegenstanders op het regionale niveau. De kleinere firma's en firma's in minder geconcentreerde sectoren doen niet aan lobbying op handelsakkoorden, omdat ze geen barrières voor export ervaren of andere oplossingen vinden (bijvoorbeeld ex works leveren of een lokale partner zoeken). Ze waren niet op de hoogte van handelsakkoorden, de mate van informatie-asymmetrie was bijgevolg veel groter dan verwacht. Ze denken er vaak niet aan om naar de overheid te stappen met hun problemen.

Alle firma's die aan belangvertegenwoordiging doen, werken liefst via associaties. Vertegenwoordiging via associaties brengt bepaalde voordelen (bv. een bredere representativiteit, meer informatie, minder visibiliteit, ...). De firma's zullen toch een directe lobbystrategie hanteren wanneer ze het werk van de associatie willen versterken of wanneer de individuele firmabelangen niet overeenstemmen met die van de associatie. Aangezien kleinere firma's en firma's in minder geconcentreerde sectoren niet op de hoogte zijn van de onderhandelingen en/of hun eigen belangen niet kennen, maar toch vaak lid zijn van associaties, moeten we een onderscheid maken tussen de meer actieve en passieve leden van associaties. Leden kunnen een actieve rol opnemen door bijv. in de raad van bestuur te zetelen, werkgroepen voor te zitten of bij te wonen, de associatie te vertegenwoordigen, ... Passieve leden daarentegen engageren zich niet in die mate, misschien willen

ze enkel genieten van enkele van de diensten voorzien door de associatie (bv. training). Daarom is het belangrijk om zich af te vragen: tot in welke mate vertegenwoordigen associaties de belangen van alle leden?³⁸

³⁸ Deze samenvatting werd reeds gepubliceerd in het Steunpuntrappport: Lost in Aggregation: Conclusions on domestic actor coordination in EU trade negotiations (Kersschot, Margaux, 2016)