European external trade policy in GATT-negotiations and member state preferences on the mandate for the Commission

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European trade policy in respect with third countries is coordinated by the European Commission (Commission). As such, it is the Commission that negotiates on behalf of the European Union during GATT/WTO-Rounds on trade liberalization. Although the Commission is the sole negotiator for the EU during external trade negotiations, it needs a mandate which has to be accepted in the Council of Ministers before it can take part in formal negotiations. Since member states are the central actors in the Council of Ministers, it is important to know their preferences on the Commission’s mandate and how these preferences are formed. This paper will focus on these national processes of preference formation and try to develop an explorative theoretical framework for a comprehensive explanation of preference formation.

In the first section of this paper, I will shortly explain the ‘puzzle’ giving rise to my research project and argue that in order to explain the process of national preference formation regarding subjects with important national and international dimensions (like for example trade policy), it is necessary to take into account the simultaneous importance of a state’s internal and external environment and the interactions between the two. In section two, I present a rough conceptual framework, which will be elaborated in the rest of the paper, and explicate a number of assumptions I use. The third, fourth and fifth sections will focus respectively on the external environment, the internal environment and the interactions between the two. Together these sections aim at exploring a theoretical framework for a comprehensive explanation of national preference formation. In the conclusion, I will recapitulate the most important points made in this paper.

1. Theoretical and empirical importance of the research project

The reason why it is of theoretical importance to develop a theoretical framework for a comprehensive explanation of state preferences, is that current approaches in political science that try to explain state preferences and behaviour tend to focus either on the
external (international) environment as the explanatory variable or – and that is what happens most of the time – exclusively on the domestic (national) environment to explain national preferences, missing the external-internal interaction. Without going into too much detail, it can be stated that Neo-Realism (e.g. Waltz 1979, Grieco 1990), Neo-Institutionalism (Keohane and Nye 1989, Keohane 1984) and the second-image reversed literature (for an overview see Almond 1989) clearly focus on the external environment as the explanatory variable of state interests and behaviour: the structure of the international system and the role of international institutions are explanatory factors of great importance in this literature. In contrast, Foreign Policy Analysis (for an overview see Haney et al 1995) focuses on internal variables like public opinion, domestic institutions and interest group pressure as factors explaining a state’s foreign policy preferences and behaviour. Liberal Intergovernmentalism (Moravcsik 1998) regards the state as representing the preferences of the most important societal groups and likewise provides a purely domestic explanation for national preferences. Finally, Social Constructivism can also be regarded to focus mainly on the domestic environment, since it assumes that shared national identities (which are by nature domestic) determine how actors view their interests and which preferences they regard as appropriate: national identities thus determine or imply preferences (Risse et al 1999, 157).

There are some authors who, in line with the two-level games introduced by Putnam (Putnam 1988) explicitly focus on the interaction between the internal and external environment. However, these two-level games aim at explaining negotiations and its outcomes and not at explaining the process of national preference-formation taking place before the actual international negotiations. There is one approach that implicitly focuses on the expected relative impact of the internal and external environment on state preferences and behaviour; the domestic structure approach. This approach argues that a state’s internal structure (i.e. state-society relations, which can be rated on a continuum between state-dominated and society-dominated) influences the degree to which a government can be expected to take account of societal pressure or the degree to which the government is insulated from societal pressure and hence able to take account of external considerations (Katzenstein 1976, 1978; Risse-Kappen, 1991, 1995)\(^1\). The

\(^1\) In Section 4.2 I will provide indicators on the basis of which state-society relations my be defined.
expectation is that a government in a state with a society-centered structure will be easily influenced by societal actors, whereas a government in a state with a more state-dominated structure is to a large degree insulated from societal pressure and can hence take account of considerations induced by external environment. However, this approach seems to lack explanatory power when confronted with certain empirical observations: and that is the ‘puzzle’ that initiated my research. Many authors on European governance observe that agricultural organizations both in France and in Germany are able to dominate the national positions in the Council of Ministers and often succeed in stalling reform of the Common Agricultural Policy (CAP) or agricultural trade liberalization in the context of the GATT/WTO (Philips 1990, 140; Goverde 2000, 262; Keeler 1996; 128; Risse-Kappen 1995, 12; George and Bache 2000, 153, 167, 306). These empirical observations do not correspond with the theoretical expectations based on the domestic structure approach which would have predicted easy societal influence in a society-dominated state like Germany, but not simultaneously both in Germany and in a state-dominated state like France. Clearly domestic structure, although an important indicator for the structural power relations between state and society, does not sufficiently explain the relative impact of the internal and external environment in the process of national preference formation. A study focusing on theoretical elaboration on the impact of the internal and external environment and the interactions between the two on the formulation of state-preferences is thus of both theoretical and empirical significance.

It is necessary to take into account the simultaneous importance of the internal and the external environment and the interactions between the two in order to explain the process of national preference formation, because a state is by its nature Janus-faced: it has to look both to the internal or domestic environment and to the external or international environment. The external environment is characterized by an anarchic structure, because it lacks a central authority. In such a system of ‘self-help’, their relative power position is of the utmost importance to states, assuming they want to survive (cf Buzan et al 1993,

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The internal environment is characterized by a hierarchical system in which the government is the central authority, but its position is dependent on the support of societal groups and coalitions (Mastanduno et al 1989, 463-464). Thus, if the state wants to survive in the international system and the government in the national system, it has simultaneously to take account of both the external and the internal environment.

The European external trade policy field is an issue area *par excellence* in which both external and internal dimensions are potentially of great importance. On the one hand, important domestic groups pressure the government to take actions – often protectionist – which are in their advantage, and try to stall trade liberalization when it is not in their interest. On the other hand, the national political and economic interest as a whole may be better served by trade liberalization, and both their membership of international organizations and pressure exerted by foreign states may induce the state to cooperate in trade liberalization. Explaining national preference formation on the negotiating mandate for the Commission in GATT/WTO negotiations therefore requires analysis of incentives arising from a state’s internal and external environment and on the consequences of interactions between the two environments.

2. Conceptual framework and basic assumptions

Figure 1 (page 5) lays down a rough conceptual framework indicating the main concepts (actors and structures) I am planning to use in exploring a theoretical framework for a comprehensive explanation of state preferences. The rest of this paper can be regarded as the first onset to fleshing out the bones of this framework: focusing on the different arrows separately and on the interrelations between different arrows.

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3 The consequences of the structure of the international system for state interests and behaviour is the subject of Section 3.
Assumptions:

1. I take the state as the central actor in this study. This choice corresponds with my research aim, which is to gain an understanding of the process of national preference formation on foreign (trade) policy. Within the international system, states are the most important units, because they are the only units who are sovereign and who can legitimately use force (cf. Waltz 1979, 95). Within the national system, the government also has a privileged position. It is the only actor that can act on behalf of the state and present the national preference in international negotiations. This role of sole representative of the state provides it with a central role when it comes to aggregating domestic preferences. I assume that in the process of national preference formation, the government considers its own preferences in relation to the preferences of societal actors and decides on the national preference that will be fought for in the international arena.

2. I assume that actors are rational. This means that an actor decides as if he has ordered the expected outcomes of the behavioural options subjectively available to him on the basis of the utility he attaches to these outcomes. He is assumed to be utility maximizing and thus to prefer the option with the highest expected utility attached to it.
3. I assume that the ultimate aim of the state and the government is to *survive*. Internationally, this means that a state wants to safeguard its position in the international system. This national interest of survival has three important dimensions: a security-political, economic and ideological dimension (Van der Vleuten 2001, 50). Sovereignty and territorial integrity (security-political), maximization of wealth (economic) and the defense of national identity and international prestige (ideological) can accordingly be seen as important state interests. In relation to preferences concerning trade policy, I assume that a state aims at maximizing wealth (economic interest) as long as this does not compromise its security-political interest.

3. The external structure, interaction capacity and state interests

3.1 The structure of the international system

The structure of the international system, or the external structure of the state ‘constrains and enables’ (Waltz 1979, 74), making particular behavioural options more attractive than others. In this sense, the external structure has consequences for state preference formation, because it explains the range of options available to a state and the costs and benefits attached to it. I will elaborate on this by treating two principles which Waltz uses to define the international system: the principle by which the system is ordered and the distribution of capabilities across the units. In relation with the latter structural characteristic, I will also focus on the consequences of the particular position of a state within the system on its interests and preferences.

*The principle by which the system is ordered*

According to Waltz, there are two possible ordering principles: anarchy and hierarchy. The international system may be considered anarchic because it lacks a central authority

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4 Waltz is an important proponent of a systems approach to international relations (e.g. Waltz 1979). He argues that there are three principles on the basis of which the international system can in principle be defined: the two mentioned above and ‘the specification of functions of differentiated units’ (Waltz 1979, 82). Waltz claims the third principle is of no use, since all states are like units. However, the interaction capacity of the system – which I will focus on in section 3.2 - is closely related to functional differentiation, and is an important systemic concept in this study.
preventing others from breaking agreements or using violence. The consequence of anarchy is that the international system is a system of self-help. Since we assume that a state, above all, wants to survive, the structure of anarchy adds the conclusion that a state has to take care of its own survival. In the words of Waltz: “In an unorganized realm each unit’s incentive is to put itself in a position to be able to take care of itself since no one else can be counted to do so. The international imperative is: take care of yourself!” (Waltz 1997, 107).

States need capabilities in order to survive: the more capabilities a state possesses the better it can be expected to be able to survive. States will therefore try to optimize their economic, military and political capabilities, as these ‘permit a state to induce changes it desires in the behavior of others states or to resist what it views as undesirable changes in its own behavior sought by others’ (Grieco 1990, 39) and thereby enable states to safeguard their survival. This also means that states cannot afford not to worry about their power position (which is based on its capabilities): states are interested in safeguarding or increasing their power position, because it enhances their chances of survival in the anarchic international system.\(^5\) Waltz further adds that states would be wise to prevent themselves from becoming too dependent on other states, because that would also harm their ability to safeguard their position in the international system (Waltz 1979, 106).

National preference formation on trade liberalization can be expected to be influenced by the anarchic structure of the international system. It is directly related to the economic dimension of the national interest: maximizing wealth. I assume that, in their economic policy, states will try to maximize wealth and will only agree to less (possibly even economic losses), if that is necessary in the state’s political-military interest (see

\(^5\) Neo-Realists, like Grieco, argue that, as a consequence of anarchy, states are in search of relative gains in order to prevent an erosion of their economic, military and political capabilities relative to other states (Grieco 1990, 39). This implies that a state would only prefer to liberalize trade if it expects to gain more from liberalization than its trading partners or if gains are distributed equally. Grieco admits that relative gains concerns will not be equally great in all situations, but they are always present (Grieco 1988, 1993). Neo-Institutionalists (Keohane, 1993) claim that states are in search of absolute gains and that states are only sensitive to gaps in relative gains under a number of conditions and that sensitivity can even take on a negative value: implying that states under some conditions would be interested in other states gaining relatively more. I will treat relative gains concerns as a variable and not as a constant in this paper. In section 3.2 I will argue that relative gains concerns can be expected to vary, among other things, with the interaction capacity of the international system.
third assumption on page 6). Furthermore, trade liberalization may also affect the relative power position of states. Economic gains from trade liberalization are, in general, not distributed equally: international trade agreements decrease and increase states’ economic resources to a different degree and thereby affect the relative power positions of states (Gowa 1989, 1246; Grieco 1990). States can be expected to base their preference ordering of possible outcomes (of different trade policy options) on the power effects they expect to be related to the different outcomes. Finally, it should be kept in mind that liberalization - through the concomitant growth in trade streams and openness of the world trading system (particularly when trade liberalization is reciprocal) – tends to increase the interdependence between states, while states may wish to limit their degree of dependence on others. However, liberalization does not have equal dependence increasing effects on all states: this depends on the position of the state in the international system, which I will turn to in the next section.

**The distribution of capabilities**

States in the international system can be distinguished on the basis of their capabilities. These capabilities are attributes of the units (the states), but the distribution of capabilities across the states is a structural variable, indicating the power relations between states. The distribution of capabilities can also be defined as the polarity of the system, the degree to which power is concentrated within the states system, which increases as the capabilities in a system are distributed more unequally (Lieshout 1999a, 18); 1995, 104). On the basis of the distribution of capabilities, one can distinguish between multipolar, bipolar, and unipolar systems, all within an anarchic system. In a unipolar system one state, also called the hegemon, is dominant as a consequence of its abundance of capabilities compared to the other states in the system; in a bipolar system two states (superpowers) stand out; and in a multipolar system there are a number of great powers.

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6 State A is dependent on state B if state B’s policies have externalities for state A: producing costs and/or benefits. A distinction can be made between dependence-as-sensitivity and dependence-as-vulnerability. If states are affected by increased oil prices, states that import a relatively small part of their total oil consumption are less sensitive than states importing a large part of their total oil consumption. If state A has the alternative of shifting to domestic sources and state B has no such alternative, than state B is more vulnerable than state A (Keohane and Nye 1989, 12-13).
with approximately equal capabilities. Both the polarity of the international system and the position of a state within the system (if it is a hegemon, superpower, middle-sized power or small power) impact on the national preference formation of states.\(^7\)

The distinction between unipolar, bipolar and multipolar systems is important, for the degree of polarity can be related to the stability of the system. In a hierarchic system, like a national political system, it could be stated that the higher the polarity, the more stable the system. This connection (higher polarity \(\rightarrow\) more stability) can only partly be made in the anarchic international system, because this is a system of self help in which states are confronted with a large number of risks to their security. Bipolar and unipolar systems are indeed more stable than multipolar systems\(^8\), because in systems with a high polarity the relations between states are clearer and changes in capabilities will only marginally affect the power-relations between states. The larger the difference between the more powerful state and the other states in the system, the less the powerful state will have to reckon with the expected behaviour of other states and ‘the more prudent the other states will judge it to be to consider that state’s expected behaviour’ (Lieshout 1999a, 26). As a result, states are better able to predict the consequences of their behaviour and the behaviour of other states (Van der Vleuten 2001, 32). Distinguishing between unipolar and bipolar systems, I would argue that bipolar systems are more stable than unipolar systems. For superpowers in bipolar systems it is clear who is the enemy: the other superpower. These superpowers have to ‘balance’\(^9\) against each other. Middle-sized powers can be expected to ‘bandwagon’ with one of the superpowers (probably the one which is ideologically closest), which provides them with security. Although hegemons in a unipolar system enjoy a great overweight in capabilities compared to other states, they are also confronted with a greater degree of uncertainty. Whereas bipolarity provides clarity on who the enemy is, in a unipolar system a number of (groups of) states

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\(^7\) In the remainder of this paper the focus will be on bipolar and unipolar systems and on middle-sized powers, superpowers and hegemons, because the empirical part of my PhD-project will focus on preference formation in France and Germany (middle-sized powers) during the Uruguay Round (1986-1993: bipolarity up to 1990 and unipolarity after 1990). It is important to also treat the incentives for superpowers and hegemons, because the United States (superpower until 1990 and hegemon after 1990) is an important trading partner for the European member states and because it played an important role during the UR.

\(^8\) For a thorough argumentation see Waltz, 1979, chapter 8.

\(^9\) ‘Balancing’ and ‘bandwagoning’ are terms commonly referred to in theory on alliance formation. The former means that a (group of) state(s) balances against an other (group of) state(s) and the latter means that the smaller states in the system side with (one of) the great power(s).
may try to ‘balance’ against him and become his enemy. As a result unipolar systems provide less stability than bipolar systems.

The overall stability of the system has consequences for preference formation. The larger the degree of stability of the international system, the less future gains will be discounted in national preference formation. This means that the value attached to long-term future gains in a cost/benefit calculation of policy options is higher in more stable systems. With respect to economic liberalization this means that benefits of liberalization which are expected in the longer term (t = 1) - e.g. because gains are expected to grow through time as production processes are adjusted in such a way that *economies of scale* produces increasing gains – will be valued higher in cost/benefit calculations made ad t = 0, as the degree of stability is higher.

The specific position of a state in the international system is also important with respect to national preference formation (on trade policy), for different positions provide states with different incentives. Hegemons and superpowers can be expected to perform so called ‘management tasks’. Maintaining the system is considered to be the most important management task (Waltz 1979, 199), but management of common economic problems (e.g. leading to the provision and maintenance of trade regimes) may also be performed. Two arguments explain why hegemons and superpowers can be expected to perform these tasks. In the first place, a state’s interest in the international systems grows with its position in that system (Waltz 1979, 195). If a state is a larger ‘power’ it is in its interest to maintain and stabilize the system as it is, because his position in the system is advantageous. The argument that the larger a state, the larger its stake in the international system and the larger the chances that it will perform management tasks in order to maintain the system, may be underpinned by the assumption that order and maintenance in the system may be regarded a *collective good*.\(^{10}\) The larger a state’s interest in this collective good, the larger the chance that he will be willing to contribute to it disproportionally or provide it unilaterally. This is in line with Olson’s *logic of collective* goods.

\(^{10}\) Collective goods are characterized by non-excludability and jointness of supply. The former indicates that contributors to the public good are unable to prevent noncontributors from consuming the good. This gives rise to the *free rider* problem. The latter indicates the existence of nonrivalry in consumption so that the consumption of the good by one actor does not inhibit the consumption of the good by another actor. (Conybeare 1984, 6; Olsen and Zeckhauser 1966, 26-27).
action in which he argues that the smaller the group, the likelier it is that the collective good will come about (Olson 1965). The second argument is of an ideological nature. Maintenance of the existing order by the great powers can be translated in providing regimes (security, economic). By forming these regimes – which may benefit all states – in line with their ideological principles (e.g. market-economy focused), great powers can enhance their legitimacy (see for example Keohane 1984, 41-46). An additional economic argument, which can be but does not necessarily have to be related to the performance of management tasks by great powers, focuses specifically on trade policy and claims that states are able to benefit from liberalization more easily as they are more powerful (Gilpin 1983, 138-139). The larger a state, the larger its domestic market and the better the chances of it profiting from economies of scale. Moreover, the dependence consequences of liberalization generally tend to decrease with increasing state power. The export to production ratio is generally smaller in large states and larger in small states, making larger states relatively less dependent on international export markets as trade liberalization increases. Thus, not only can larger states be expected to be able to reap economic benefits from liberalization more easily, they also tend to suffer relatively less political costs in the form of increasing relative dependence.

Middle-sized powers are expected to free ride when it comes to contributing to collective goods (e.g. maintaining stability in the international system): they prefer to reap the benefits from collective goods without contributing to the good. This can be explained by the fact that their interest in the system is smaller than the interest of a hegemon or superpower. Olsen and Zeckhauser (1966, 30, 37-39) argue that great powers are unable to pass the costs of maintaining international regimes (which they regard as collective goods) to smaller states and that these smaller states are able to free ride. Because the great powers have such a great interest in the collective good, they will also provide it without the smaller states contributing. There are two comments I would like to make here: the first is a critique to the idea that regimes are genuine collective goods, and

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11 Which in this case could be read as ‘the higher the polarity’ which implies that there is a smaller group of states at the top of the international system.
12 Large states generally have a smaller proportion of their economy engaged in the international economic system (Krasner 1976, 320).
secondly I will argue that a middle-sized state may regard *free riding* to be less in its interest in a unipolar system than in a bipolar system.

Not all regimes can be regarded as genuine collective goods. They can be regarded collective in the sense that they may benefit all states by providing order in the international system through the regulation of interactions in different issue areas. When it comes to a trade regime, it is a collective good as a multilateral system which provides trade liberalization. However, the benefits from trade liberalization are largely *excludable*: states can be excluded from trade negotiations for example. Furthermore, the benefits of trade (e.g. distribution of gains) are subject to *rivalry*: states can be expected to fight over the distribution of gains. Therefore I expect that great powers, when forming their preference on trade liberalization, will also pay attention to the expected distribution of gains and will not necessarily value unilateral trade liberalization higher than no liberalization at all. Assuming that great powers are generally well able to benefit from liberalization, they can still be expected to prefer it, but what I argue is that they will not accept unilateral trade liberalization unreciprocated by other states, if they are able to prevent this.

When middle-sized states are confronted with a superpower in a bipolar system they are likely to be able to free ride. In a bipolar system, both superpowers have their own sphere of influence and they have a great interest in maintaining this sphere of influence lest one of the states in their respective sphere of influence is lost to the enemy. The middle powers are in one of the spheres of influence but have no interest in contributing to the maintenance of this sphere in which they don’t have an important power position. They will therefore prefer to *free ride*, e.g. benefiting from unilateral trade liberalization from the superpower, without reciprocating. The superpower is not likely to be able to demand reciprocity, because maintenance of the sphere of influence against the enemy requires economic growth and military security for the allied states, lest they not fall in hands of the enemy. Moreover peace is not subject to *rivalry* in a bipolar system; middle-sized powers know the superpower will protect them because it is

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13 Regarding the maintenance costs of the regime itself it can therefore be expected that great powers will contribute disproportionally. But then the question is whether unilateral trade liberalization by great powers can be regarded as ‘maintenance’. I would argue that although unilateral trade liberalization may contribute to the maintenance of the regime, normal maintenance costs lie in the area of organizational costs of negotiations, regime institutions and retaliations.
greatly in its interest to do so and hence the superpower is not likely to be able to threaten the allies into reciprocal trade liberalization in exchange for military security. A shift from a bipolar to a unipolar system has important consequences.\textsuperscript{14} The interest a hegemon has in other states in the system is likely to be smaller than the interest a superpower has in the welfare and security of other states, since the common enemy has disappeared. As a consequence the hegemon can be expected to pay greater attention to the expected distribution of gains from trade liberalization than a superpower and will be less indulgent to \textit{free riding} efforts of middle-sized powers. Moreover, the middle-sized power is now confronted with an incredibly powerful state which is not only likely to be able, but also to be \textit{willing} to enforce reciprocity in trade liberalization. Of course, middle-sized states would still like to \textit{free ride}, but since they are likely to expect that the hegemon will not easily accept \textit{free riding} – which makes an outcome of no liberalization or coercion into reciprocal liberalization more likely – they can be expected to prefer voluntary reciprocal trade liberalization, assuming that they are able to benefit from trade liberalization in the first place.

\textbf{Interaction capacity and the role of institutions}

Another factor which has an impact on national preference formation is the \textit{interaction capacity} of the system. The \textit{interaction capacity} influences ‘conditions of interactions’ (Buzan, Jones and Little 1993, 70) for all states and thereby defines the expected degree, intensity and velocity of interactions between states. The \textit{interaction capacity} of the system is determined by the evolution of technology (weapons technology, communication, transport and information) and the density of shared norms and institutions (Buzan Jones and Little 1993, 69-71; Van der Vleuten 2001, 35. The degree to which states interact with each other, influences the way in which they define their interests (influencing the weight that is attached to the factors which are included in the cost/benefit calculation resulting in a state’s preference ordering). For states that frequently interact, the costs of using violence for example increase and states develop a pattern of behaviour in which they regard reciprocity and credibility as more important

\textsuperscript{14} A change in the polarity of the international system itself may already be expected to lead to (a period of) uncertainty and instability. States in a rapidly changing environment are likely to be careful because the chances of misjudging the situation increase under such circumstances.
(cf Axelrod and Keohane 1993, 109). This would not be expected on the basis of the anarchic structure of the international system. As such, the \textit{interaction capacity} of the international system filters the effects of the external structure and, consequently affects the actual behaviour of units (Van der Vleuten 2001, 36).

The fact that institutional density impacts on the degree of interaction between states, which in turn influences the way in which states define their interests, implies that international institutions have effects on national preference formation. Since international organizations are an important aspect of the foreign trade policy area, I will analyze how institutions may influence state interests. International institutions can be defined as ‘related complexes of rules and norms’ (Keohane 1989, 163). They may for example take the form of international organizations or regimes. Once states are member of organizations, this membership influences the way in which states define their interests. The principles and rules of an organization or regime ‘reduce the range of expected behavior of states’ (Keohane 1984, 97) and thereby reduce uncertainty (Keohane 1984, 97). The GATT-regime for example only allows protectionist measures under certain conditions; such rules – especially when sanctions are foreseen in the case of non-compliance – influence the costs and benefits attached to different behavioural options. Non-compliance would engender economic costs in the form of sanctions\textsuperscript{15} and ideological costs, because it would negatively affect a state’s credibility (which can be expected to be very important in a system with a high \textit{interaction capacity}). More generally, international institutions and regimes provide information, reducing transaction costs and ‘increasing the predictability of life for the states taking part in it’ (Lieshout 1999, 28). As such, they also provide stability, which – as explained earlier – extends the time-horizons of states in the process of national preference formation, increasing the value states attach to expected long-term gains.

Institutions clearly provide states with important benefits. States have invested in institutions, which in turn reduced the costs of certain behavioural patterns. A lot of information would be lost if these institutions were to collapse and starting new organizations or regimes is very costly. The survival of an organization or regime may

\textsuperscript{15} Of course these costs still have to be weighted against the economic and/or political gains expected from non-compliance (in this case protectionism).
therefore enter into the notion of a state’s interest. The value a state attaches to the institution in question depends on the size of the benefits that the institution has provided in the past (Van der Vleuten 2001, 64). This also explains why states may choose to live by the rules of certain institutions which have been beneficial in the past, even if following the rule would on some occasions not lead to maximum benefits or even incidental losses.

Finally, coming back to the relative gains problem (fn 6, page 7), it can be expected that sensitivity to gaps in relative gains decreases as the interaction capacity increases. The interaction capacity filters the structural imperative of self-help to which relative gains concerns are related. When states interact heavily in different sectors of the international system, relative losses in one agreement may be compensated by relative gains in another agreement (both within and across sectors). Furthermore, increasing economic interdependence – which can be logically related to an increasing interaction capacity – makes states less sensitive to gaps in gains (cf Buzan, Jones and Little 1993, 43), because even if these economic gains were used to expand military capabilities, actual use of these capabilities would not be likely since it would also negatively affect the interest of the user. 16 Of course, a state’s sensitivity to gaps in gains will also vary with the degree to which there are tensions in the international system and with the identity of the state it interacts with (whether this is an enemy or an ally). However, these are all situational factors which only arise in the process of preference formation, whereas interaction capacity is a systemic factor.

4. State capabilities, state structure and the process of preference formation

Just like the external variables expounded in the previous section, internal variables also constrain the range of options a state government has and the price tags attached to them, thereby influencing national preference formation. I take the government to be the central actor in the process of national preference formation in which the government considers its own interests in relation to the preferences of societal actors and decides on the national preference that will be fought for in the international arena. In this process, the

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16 As Waltz indicates, the costs of breaking an interdependent relation are high (1979, 104).
government – for the different available behavioural options subjectively available - weighs the expected economic, ideological and political costs and benefits. Economic costs and benefits include the expected consequences for national income, export-import ratio’s etcetera. Ideological costs and benefits may be related to the degree to which behavioural options correspond with governmental goals, political colour and policy paradigm. Political costs and benefits are related to the degree to which a behavioural option corresponds with the wishes of the electorate and societal actors. I assume that it is the aim of the government to safeguard its internal position: the government wants to be reelected. This can clearly be related to the political costs and benefits of behavioural options, but also to economic costs and benefits, since societal satisfaction and the chances of reelection may be linked to safeguarding or enhancing economic growth (Milner 1998, 23; Keohane and Nye 1978, 38-41). Policy changes (e.g. trade liberalization through abolishing export subsidies) have distributional and electoral consequences (Milner 1997, 16). Therefore, it can be expected that the government will take account of societal preferences when deciding on the national preference that will be taken in the international arena.

Clearly, internal variables influence preference formation. In the remainder of this section, I will first focus on the influence of state capabilities. Next, I will turn to the internal structure of the state and show that it has important consequences for the degree to which a government may follow its own preferences against the will of society without suffering high political costs. Finally, I will introduce some important process variables which influence national preference formation.

4.1 Material capabilities of the state
Material capabilities of the state include capabilities as divers as national income, military power, demographic characteristics, geographic location, climate and available natural resources (Lieshout 1999b, 178). The more capabilities a state has, the less it will be influenced by changes in its environment. The more capabilities a state has in relation to another state with which it interacts, the less the former needs to take into account the wishes of the latter and the more sensible it would be for the latter to take account of the

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17 For a dissertation in which a similar assumption is made, see Van der Vleuten, 2001.
wishes of the former.\textsuperscript{18} Great powers are better able to realize national interests with unilateral solutions, whereas small states are often in need of multilateral solutions. In the trade policy area, a unilateral protectionist strategy is more feasible for a great power with a considerable degree of autarky, because such a state will be able to shift the costs of protectionism on others. The predominance in capabilities of great powers also enables them to impose sanctions on others and to prevail in a potential trade war. Smaller states with open economies, in contrast, are so dependent on world markets, that unilateral protectionism would be costly, because they are vulnerable to retaliation of great powers (Katzenstein 1985, 24). Clearly, material capabilities influence the costs and benefits attached to different behavioural trade policy options, e.g. a protectionist option.

A specific capability influencing the costs and benefits attached to liberalization, and therefore of importance for explaining the actual content of preferences concerning trade policy, is the international competitiveness of a state’s national producers. States can be expected to prefer liberalization in sectors in which they have a competitive advantage.\textsuperscript{19} In such a case, liberalization would provide new export opportunities and hence economic gains. Moreover, the political costs of liberalization are likely to be limited, for internationally competitive sectors generally have more exporting producers than import-competing producers.\textsuperscript{20} Hence, liberal policies can be expected to meet more societal support and less resistance when national producers are relatively more competitive.

4.2 State structure and its consequences

Functional differentiation

\textsuperscript{18} This corresponds with the remark made in section 3.1 (p.7) based on Grieco (1990, 39) that the more resources a state has, the more it will be able to influence others and the more it will be able to resist their influence attempts.

\textsuperscript{19} It is important to note that in specific interactions (e.g. negotiations), it is all about a state’s relative competitiveness \textit{compared to the states with whom it interacts}. A state will only favour liberalization in negotiations with a group of states within which it is relatively competitive. This also explains why regional trade liberalization is sometimes preferred to multilateral trade liberalization.

\textsuperscript{20} Likewise, Frieden and Rogowski explain the preferences of different domestic groups on the basis of their competitiveness and conclude that relatively competitive groups (e.g. exporting groups) will demand liberalization, whereas relatively uncompetitive groups (e.g. import-competing groups) will demand protectionism (Frieden and Rogowski 1996, 46).
States differ in the functions and competences they consider to be theirs. The broader a state defines its tasks in relation to the national economic market and towards society, the higher the degree of *state intervention* (Van der Vleuten 2001, 38). State intervention into economic sectors may lead to policies which are advantageous to specific societal groups; these groups have an interest in maintaining this kind of state intervention in their sector. When a government wishes to change its policy, these groups can be expected to mobilize against the government, because they have an interest in the *status quo* (Lieshout 1995, 170). All other things being equal, the larger the degree of state intervention, the larger the degree of societal mobilization (demands and pressure) may be expected when a government wants to change its policy (for a similar argument see Nordlinger 1981, 21). For example, the more past policy has sheltered groups from international competition, ‘the fiercer is the likely opposition to removing previous protection’ (Frieden and Rogowski 1996, 46). Some authors argue that, as a result, interventionist states are more susceptible to societal constraints (e.g. Nordlinger 1981, 21). However, I would argue that state intervention only influences the degree to which societal mobilization can be expected: the extent to which this mobilization is likely to produce political costs and, in effect, constrain the government in the process of national preference formation, depends on the polarity of the state to which I will now turn.

*Internal polarity*

In the international system, polarity refers to the distribution of capabilities over states. In the national system, (internal) polarity refers to the division of power (structural power relations) between government and society; the higher this polarity, the more these power relations are in the advantage of the government. The higher the structural capability of the government to impose its will on other domestic actors (or to follow its preferences against the will of these domestic actors), the higher the internal polarity (Van der Vleuten 2001, 39). I use four factors to estimate the structural power relations between state and society (internal polarity): 1. The degree to which state power is centralized; 2. The structure of government; 3. Power relations between government and parliament; 4. The system of interest representation. I will now discuss each separately.

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21 With the term ‘society’, I refer not only to societal groups, but also to the legislative and political parties.
A. The degree to which state power is centralized.
Essentially, this is about the question whether power is centralized at the top, or, in contrast, dispersed.\(^{22}\) A high degree of centralization contributes to a high internal polarity, whereas decentralization or dispersion of power is associated with lower internal polarity. Decentralization imposes institutional constraints on central state government: *veto-positions* or *veto-points* in the words of Schmidt (1996, 386). In case of federalism, the central government shares power with lower level governments and needs to cooperate with this lower level in policy making. Furthermore, the sharing of power or competences results in a great dispersal of decision sites and makes states highly permeable to domestic groups (Nordlinger 1981, 183). Decentralization provides societal groups with many access points (and intermediaries through which they can gain influence) and their strategies of influence can be more varied and intricate (Rogowski 1999, 133). Moreover, the smaller the constituency from which officials are elected, the more they are likely to represent particularistic interests (McConnel 1966, 108-109). Regional governments can be expected to be more open to the demands of particularistic groups and to represent their interests than the central government. Central governments (as a whole) and presidents are elected from larger constituencies and are likely to be supported by a wider range of different groups (which may be mutually countervailing) and are more likely to focus on the general interest than on very particularistic interests. We can conclude that, as the degree of centralization decreases, the central government is increasingly inhibited to push through its wishes against the will of other institutions and groups.

B. The structure of government
The structure of government provides information on the arena, or *ultimate decision unit*, in which decisions are eventually made. I propose a typology of governmental structure on the basis of two characteristics. First, the general division of power within the government can be centralized - in the hands of a president or government leader who

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\(^{22}\) Factors which may be used to operationalize the degree of centralization are the presence or absence of federalism, bicameralism, an independent central bank (Lijphart 1999, 3-4), possibility and use of referendums and parliamentary vs. presidential government (Huber, Regin and Stephen 1993, 728).
clearly has ultimate decision making power – or decentralized, when there is no *primes inter pares* within the government who has ultimate decision making power. Again, centralization leads to a high internal polarity.\(^{23}\)

The second characteristic is the degree to which departments are autonomous. In the case of departmental autonomy, an individual department can autonomously decide on policy within its sectoral/functional domain: other departments may be consulted, but the individual department has the power to ultimately decide. When different departments have a say in a policy domain and none is authorized to be the sole decision maker, then there is no departmental autonomy. Departmental autonomy leads to a lower polarity and non departmental autonomy leads to a higher polarity. When one department decides on policies in its sectoral domain, then its focus will be narrower than when different departments – each with their own focus – decide on a policy. This argument is based on two assumptions. First, that the functional division of tasks within the government leads to departments with a narrower focus than the government as a whole would have and these departments may develop their own internal culture and world views which insulates them from their environment even more (Barnett and Finnemore 1999, 722-724). Secondly, departments have an interest in maximizing their staff and budgets, and the degree to which this interest can be served partly depends on the well being of the sector that the department governs (Messerlin 1983, 18). Departments are therefore likely to be open to the particularistic interests in their sector. We can conclude that departmental autonomy would be more advantageous to the particularistic interests within that sector, whereas the sharing of competences by different departments would increase the likelihood of more general interests to be followed.\(^{24}\)

C. Executive-legislative relations

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\(^{23}\) This conclusion is based on the assumption that presidents and government leaders are less easily accessible to societal groups and are more focused on the ‘general interest’ than ministers and their departments (especially functional ministries) to which societal groups have easier access and who have a more narrow focus as a result of functional divisions (Moe 1989, 279-281; McConnell 1966, 164).

\(^{24}\) In the latter case, the narrow focus of one department is balanced by the different focus of other departments.
Executive-legislative relations may be characterized either by executive dominance or by an executive-legislative balance. The former leads to a lower polarity and the latter to a higher polarity. When relations are executive dominated, the government can more easily act against the wishes of parliament (as long as it has the support of its own party), whereas parliament may be an important veto-power in case of an executive-legislative balance. Parliament is then likely to be able to exert influence in the process of national preference formation (cf Milner 1997, 19). Moreover, societal groups are likely to try to influence government through parliament as an intermediary organization. In case of executive dominance this parliamentary pathway will be less effective and societal groups are more likely to direct their lobbying activities at the government itself.

D Method of interest representation

A state’s method of interest representation can be placed on a continuum between pluralism and corporatism. Two factors are of importance when placing a state on this continuum: 1. The degree to which interest intermediation is institutionalized: if privileged groups have formal access to decision making and have seats in powerful committees etc. 2. The number of groups with privileged access within a sector: whether or not one group has a representational monopoly.

**Figure 2: Continuum between pluralism and corporatism**

<table>
<thead>
<tr>
<th>Pluralism</th>
<th>Structured pluralism/ weak corporatism</th>
<th>Corporatism</th>
</tr>
</thead>
<tbody>
<tr>
<td>No institutionalization</td>
<td>Intermediate institutionalization</td>
<td>High institutionalization</td>
</tr>
<tr>
<td>No rep. monopoly</td>
<td>Intermediate number of groups</td>
<td>Representational monopoly</td>
</tr>
</tbody>
</table>

Pluralism may be associated with a higher polarity and corporatism with a lower polarity. The power relations between government and groups are more advantageous to groups in

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25 Executive dominance is often associated with presidential governments as opposed to parliamentary governments (Lijphart 1999, 117). However, I regard executive dominance also to be present when the government is a one-party majority government (with a stable majority in parliament).

26 Minority governments and coalition governments lead to an executive-legislative balance.

27 The legislative is more likely to be open to particularistic interests than the government. In the first place, because parliament has a representative role and, secondly, because members of parliament (at least in one of the two chambers) are often chosen from a smaller constituency.

28 Here, pluralism thus does not refer to a pluralist theory of domestic politics in which pluralism is attached to an influential role for society in decision making.
a corporatist network. They are able to influence national preferences through their formal access to decision-making processes and they do not have to compete with rival groups within their sector. Moreover, corporatism is commonly associated with a culture of consensual policy making and compromise (Van Waarden 1992, 47-48). Groups in a pluralist network are weak as a result of their lack of formal access and because the ‘presence of several competing interests could in principle mean that they will prevent one another from realizing their interests directly (Van Waarden 1992, 44), which provides the state with increased room of manoeuvre (See Nordlinger 1981, 157 and Culpepper 1993, 306 for a similar argument). 29

In order to determine the internal polarity, the four factors elaborated above, need to be combined by adding up the four scores to arrive at one total score. The result indicates the structural power relations between state and society: the higher this polarity, the more state-dominated these relations are; and the lower the polarity, the more society-dominated these relations are.

<table>
<thead>
<tr>
<th>High polarity</th>
<th>Low polarity</th>
</tr>
</thead>
<tbody>
<tr>
<td>State-dominated</td>
<td>Society-dominated</td>
</tr>
</tbody>
</table>

4.3 The process of preference formation

The internal structure of the state provides information on the structural power relations between state and society and therefore about the government’s ability to act contrary to societal demands, or about the ability of society to influence government. In case of a high internal polarity, society can be expected to need to exert much more pressure in

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29 The term corporatism is also used to refer to an organization of society ‘in which groups are organized into national, specialized hierarchical and monopolistic peak associations’ (Lijphart 1999, 171). Risse-Kappen (1991, 492) associates such a corporatist structure or organization of society with societal dominance in state-society relations. I would argue that a corporatist (or centralized as I will call it in the remainder of this paper) structure of society itself does not give society structural power. This would only be the case if the method of interest representation is also corporatist and if the other factors determining internal polarity also indicate a relatively low polarity. A centralized structure of society does provide society with advantages in the process of preference formation, since peak associations generally have many resources in the form of money and members and because it facilitates mobilization.
order to gain influence than if polarity were low. The internal structure, however, does not determine the behaviour of government or society; in only enables and constrains. A number of factors arising in the process of preference formation also have important effects.

Issue salience, mobilization and politicization

In order for societal groups to mobilize and exert pressure on the government, the political issue in question must be salient to them: the proposed policy must greatly affect them, either because it provides huge benefits or because it would induce high costs. In the words of Milner: ‘The groups who stand to lose or gain economically from the policies are the ones who will become politically involved’ (Milner 1997, 63). Mobilization, exerting pressure, is needed in order to gain influence. Even society-dominated power relations (low polarity) are irrelevant if society does not try to exert influence. The more pressure society exerts, the higher the chances of producing political costs for the government and influencing the national preference.

An issue can also become politicized. With this, I mean that the issue becomes salient to even more groups, including groups from outside the issue-area. On the one hand, politicization increases mobilization which can produce increased political costs for the government. On the other hand, the interference of more groups increases the chances that the different groups have different preferences and try to push the government in opposite directions. This may eventually increase the government’s room of manoeuvre, because it offers the ability to divide and rule. Moreover, decisions on issues which are politicized tend to be taken at a high level within the government, and presidents or government leaders are likely to become involved, decreasing the chances of one particularistic interest getting its way.

Unity

30 Skidmore and Hudson (1993, 7-8) reach a similar conclusion when stating that as a state is strong and insulated, then societal opposition can be ignored, ‘at least until it reaches very high levels’.
31 In line with Putnam’s two-level games, a government that has a weak power position in relation to society may choose to fight for another preference in the international arena than the preference that would be based on the national economic, political and ideological costs and benefits, if this other preference would entail a policy that would strengthen the government’s position in relation to society (see also Van der Vleuten 2001, 55-56.)
Both government and society are aided by a certain degree of internal unity. Lack of unity within the government weakens its ability to follow its preferences against the will of society, even if the government’s structural power position is strong (high polarity). Discord negatively affects a government’s decisiveness, producing difficulty in reaching decisions, including decisions which would be against the will of society. Governments would need a considerable degree of unity to take such decisions. However, the degree to which unity is needed is likely to vary with the governmental structure. In case of departmental autonomy, unity within the total government is of less importance because it is one department who takes the ultimate decision. A higher degree of governmental unity is likely to be needed if there is no departmental autonomy and a number of departments have to decide on the policy.

The chances for society of gaining influence may also be inhibited by a lack of unity. Political mobilization, however large, is less likely to lead to societal influence if different societal groups press for opposite policies. Eventually, the whole parallelogram of societal preferences must be taken into account to estimate societal influence. Of course, some groups are more powerful than others (as a result of material resources and privileged access) and it is the position of these powerful groups that matters most because they are able to exert considerable pressure; unity between these groups is therefore important. Within a particular sector, unity between groups is especially important if the method of interest intermediation is pluralist. In contrast, if the method of interest representation is corporatist – implying that there is one powerful peak association with privileged access – then unity between different groups within the sector is less important as long as the (leadership of) the peak association is united. However, if the sectoral issue becomes politicized and groups from other sectors start to mobilize, then unity between the most important mobilized groups in society is of importance again.

Sensitivity of the government

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32 Some authors argue that the leadership of a peak association is in a strong position in relation to the associations which are member of the peak association (Keeler 1987, 11). Therefore, it is not so much the entire peak association including the members, who have to be united, but only the leadership.
The sensitivity of a government to societal pressure varies. A government is more sensitive to pressure from the support groups of the political party(ies) the government consists of. Also, sensitivity increases if the government has a weak position in parliament and when elections are near (Van der Vleuten 2001, 53). In such situations, societal pressure is more likely to effectively produce political costs and thereby to constrain the government and influence its decisions.

5. Interaction

Actors and institutions at the international and national level interact, leading to transnational pathways (which are pathways used intentionally/deliberately by governments, transnational organizations or domestic groups to produce a certain effect) and transnational effects (effects which are transnational in nature because they originate from one level (e.g. international) and produce effects on another level (e.g. national)). We will also see that power relations are important as they influence the degree to which transnational pathways are effective.

5.1. Transnational pathways
The government or societal group(s) from one state may contribute to strengthening (a) certain societal actor(s) in another state in order to affect (preferably to tip) the balance of societal preferences/pressure in that state and influence the national preference formation. They may strengthen the societal actors in the other state by providing material (e.g. financial) and/or ideological resources (e.g. status and legitimacy) (Van Esch 2001, 114). As a result the supported groups will be willing and able to exert more pressure in order to influence the national preference. This transnational strategy is likely to be more effective if internal polarity is low and if the government is sensitive, for under those circumstances domestic groups, including the one(s) supported, will be better able to produce political costs and benefits for their government. However, all this transnational strategy does is increase the effectiveness of the pressure of (a) particular group(s): it is impossible to predict in advance if this transnational support will actually tip the national balance. The balance is most likely to be tipped if the existing balance was a draw
between supporters and opponents of a certain policy. Furthermore, supporting already powerful groups with formal access to decision-making is likely to be more effective than supporting weak groups lacking formal access.

Societal groups from one state or transnational groups (of which national groups of different states are members) may also try to influence the government of another state directly. These groups are generally likely to gain more access and exert more influence as the internal polarity of the state in question is lower. In addition, the degree to which these groups may be expected to gain access and influence also increases with an increasing interaction capacity of the international system, especially with a high institutional density (Risse-Kappen 1995, 30-31). As a result the internal structure of the state is not decisive in determining access of transnational groups, but is mediated by the interaction capacity of the international system. This also explains that for societal groups in a country with a high polarity, membership of transnational groups may importantly contribute to their indirect influence on their own government. Nevertheless, in order for the pressure of these transnational groups to be effective, they also need sufficient resources and a certain degree of unity.

Finally, the government of one state may also try to influence an other government by making promises or threats (carrots and sticks) which, through their effect on societal groups in the other state, affect the costs and benefits attached to different behavioural options and influence national preference formation. Threats (e.g. trade sanctions on certain products) and promises (e.g. lowering tariffs for certain products) made by one state in the process of international bargaining, produce costs for some groups and benefits for other groups in the state at which the threat or promise is directed. As a result, groups which were already mobilized and are now affected by the threat/promise may change their preference and/or increase their pressure on the government; and groups which were not yet mobilized but are now affected will also start to mobilize and pressure their government. Through the pressure exerted by the affected groups, the state that exerted the threat may indirectly influence the political costs attached to different behavioural options in the international negotiations and thereby

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33 Notice that the use of threats and promises (just like linkage strategies which will be treated below) usually are made in the international bargaining process and may therefore lead to a change in national preferences, assuming that these initial preferences were formed before negotiations started.
influence the preference formation in the threatened state. Three remarks need to be made. First, the degree to which the state exerting the threat/promise is able to produce costs or benefits for the threatened state, is related to the mutual dependence between the two states and to the credibility and capabilities of the threatening state. In order for a threat/promise to produce costs/benefits, there must be an asymmetry in dependence between the two states in the advantage of the threatening state. Moreover, the threatening state must be credible in the eyes of the threatened state (known to execute its threats and keep its promises) and must have sufficient capabilities. Secondly, the degree to which this strategy is able to effectively influence the political costs and benefits of the threatened state depends on the internal polarity of that state and the sensitivity of the government. Thirdly, it is impossible to predict if the strategy will eventually have the intended effect, since the effect on the ‘balance of societal preferences/pressure’ is insecure. The chances of the strategy having the intended effect increase as the strategy actually affects the intended groups, which as a result change their preferences or start mobilizing for the first time, and if these groups are resourceful (material resources and institutional access).

Transnational effects

The arena at the European level in which decisions on the mandate of the Commission are made may influence the national arena in which national preferences are formed. The General Affairs Council is the formal arena in which decisions on the total mandate for the Commissions are made. However, the Council of Ministers in other compositions, e.g. the Agricultural Council, often also formulate opinions on those parts of the mandate which are of interest to them, and the General Affairs Council is not likely just to overrule these opinions. Since different national ministries are involved in the decision making in different Councils of Ministers at the European level, the choice of arena at the European level may influence the national arena and actors involved in the national preference formation. These consequences are most substantial if the governmental

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34 If state A is more dependent on state B than state B is dependent on state A (asymmetry in dependence), then B is better able to, through its behaviour, produce costs and benefits for state A than state A is able to, through its behaviour, produce costs and benefits for state B.
structure is decentralized, the degree of departmental autonomy is large and if national coordination of EU policy is lacking.\textsuperscript{35} When this is the case, one state could even end up proclaiming different preferences in Councils of Ministers of various compositions.\textsuperscript{36} In states with well functioning mechanisms of national coordination of EU policy, the effects of the choice of arena at the European level on the arena of national preference formation are likely to be negligible.

Another possible transnational effect on national preference formation is the effect of \textit{linkage}. During international negotiations different issues may become linked and the solution of one issue is attached to the solution of another issue in a \textit{package deal}. Linkage may arise as a common practice within an international institution or as a strategy of states involved in the negotiations. Irrespective of its origin, linkage affects the calculation of costs and benefits and may therefore lead to a change in national preferences. As a result of linkage, a state’s utility function with respect to one issue becomes attached to its utility function with respect to another issue. Slight costs with respect to one issue may now be balanced by benefits with respect to another issue and this enables package deals. However, linkage is not equally likely in all situations, because it affects various national groups differently and is likely to engender societal pressure. All other things being equal, linkage between issues within the same sector is easier to achieve than linkage between issues from different sectors. In case of the former, costs and benefits are divided within one sector and therefore more likely to be nationally acceptable, whereas in case of linkage between sectors, the sector confronted with the costs is likely to mobilize and exert substantial pressure on the government not to make such a deal. A government’s room to manoeuvre and make package deals against the wishes of society increases with the internal polarity of the state (Van der Vleuten 2001, 57). Governments in states with a high internal polarity are therefore more likely to value the benefits of a package deal higher, because the political costs attached to the deal are generally lower than in states with a low internal polarity.


\textsuperscript{36} An official I interviewed made the interesting observation that in Council meetings, especially ministers from such states (lacking central coordination) are contacted and pressured by delegations from other states, because convincing or influencing these ministers (who seem to have ultimate decision making power in their domain) is likely to be most effective.
This section is not yet complete. I want to try to explicitly link the (combination of) specific characteristics of the external structure and the internal structure (and thereby the power relations between states, within the government and between state and society) to the relative impact of the external and internal environments on state preferences.

6. Conclusion

Explaining national preference formation in member states on the negotiating mandate for the Commission regarding trade liberalization requires a theoretical framework for a comprehensive explanation of state preferences, providing insights in the conditions influencing the relative impact of the internal and external environment and the interactions between the internal and external environment. Both international system characteristics and state structures constrain and enable, making some behavioural options more likely than others by attaching different costs and benefits to the various alternatives.

The anarchic structure of the international system results in a self-help imperative for states, motivating them to optimize their resources. International polarity impacts on preference formation by the degree of stability it provides, resulting in more or less discounting of the future in the process of preference formation. Also attached to the international polarity is the specific position of a state within the system; being a hegemon, superpower, middle-sized state in a bipolar system or middle-sized state in a unipolar system produces different incentives which impact on preference formation. The interaction capacity of the international system filters the effects of these structures (anarchy and polarity), and specifically membership of international institutions influences the value attached to the different variables in the utility function of states and is also likely to extend the time-horizons of states.

At the level of the state, the specific capabilities a state possesses, influences the alternatives a state has at its disposal (e.g. if the state is capable of unilateral actions without compromising its power position) and the degree to which this state has to reckon with other states. The internal structure, specifically the internal polarity, indicates the
structural power relations between state and society, and thereby the degree to which the state is insulated from societal pressure and able to act against the wishes of society. These structures, again, constrain and enable. Situational characteristics, only arising in the process of preference formation (unity, sensitivity of government) also influence the degree to which society is able to produce political costs and benefits for the government in particular situations.

The interactions between the external and internal environment give rise to transnational pathways and transnational effects. Power relations at different levels (e.g. internal polarity and the power balance within society) intervene between these transnational pathways and the degree to which they are likely to be effective. Exploring the consequences of different combinations of specific characteristics of the external structure and the internal structure (that is; of different combinations of power relations) for the relative impact of the internal and external environment on state preferences is a subject which still needs further elaboration.
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