EUROPEAN UNION PARTICIPATION IN NEGOTIATIONS ON TRANSATLANTIC TRADE AND INVESTMENT PARTNERSHIP

Daria E. Rudenkova

Institute of World Economy and International Relations of the Russian Academy of Sciences, Moscow, Russia

Abstract: This article contributes to the discussion surrounding involvement of interest groups in the political process on the European and global level. My purpose here is to examine how groups of interest can affect EU’s role as a global actor and find out which mode of lobbying regulation could strengthen Europe’s position in global governance. In this article, I am trying to bind concepts which at first glance might seem quite remote: groups of interests and global governance. By analyzing Europe’s position on the Transatlantic Trade and Investment Partnership (TTIP) and the Trans-Pacific Partnership (TPP), I argue that European ambitions on international arena are undermined by inner tensions. These tensions are mainly caused by discrepancy in positions of different groups of interest who try to influence the outcome of the political process and, thus, make it less stable and predictable. At the same time, adequate lobbying regulation could increase accountability and transparency and, therefore, help to overcome inconsistencies in EU’s position in global governance system. The results suggest that without proper backing from inside actors like business groups and civil society associations the EU will constantly wobble and will not be able to fully achieve its global goals.

Being the second world’s largest economy, the EU has been trying to promote its standards, values, norms, and mechanisms at various levels by enhancing foreign trade, institutional cooperation and taking part in global governance. At the same time, the EU’s status as a global actor has been in relative decline mainly because of the Eurozone crisis. Therefore, integrated Europe had to lower its appetite and turn back to more practical interests, shifting its focus and ambitions along the scale from idealism to realism. The whole process of negotiations on the TTIP provides us with a clearer vision of Europe’s fears and inconsistencies regarding its role in global governance.

This article constitutes an attempt to clarify the essence of the dependency between lobbying regulation within the EU and the Union’s potential to act globally. The first section presents a summary of the EU’s approach to global governance. This is followed by study of the TTIP case with the due attention given to the issue of impact of lobbyist and groups of interest and their role in shaping the agreement both in the USA and the EU. The next section applies theoretical framework to practical context and describes different ways for lobbying regulation in the EU and anticipated results of it. Finally, the conclusion sums up the main findings on Europe’s position in TTIP negotiations regarding the lack of lobbying regulation in the EU.

EU in global governance

The European aspirations to play an important part in global governance were formulated in time of globalisation, EU’s
enlargement and strengthening on the international political arena. The EU has to fortify internal governance in order to be able to promote its principles and ideas of “good governance” in the entire world.\textsuperscript{1} It is worth mentioning that the concept of “good governance” lies at the core of the European external strategy together with “effective multilateralism” and “transatlantic partnership.” However, good governance has no clear definition. In general, it covers fundamental principles of state-society interactions and encompasses rules, procedures, interests’ articulation, management of resources, and the way the power is exercised. “Good governance” is aimed at protecting human rights and democratic values, promoting development and reducing inequalities.

The EU is constantly looking for new opportunities to promote its principles of good governance abroad – as it happened, for instance, with Cotonou Agreement in 2000. Europe showed readiness to use trade and foreign policy aid as a means to export its values and to bind issues of trade and development with political ones. Another example is European Neighbourhood Policy which suggests the quality for the EU’s relationships with its neighbouring countries depending on their adherence to European values.\textsuperscript{2}

Another strand in the EU’s strategy of global governance is multilateralism. The concept of multilateralism is challenging in itself. Generally accepted interpretation was given by Robert O. Keohane who considered multilateralism as “the practice of coordinating national policies in groups of three or more states, through ad hoc arrangements or by means of institutions. It thus involves (exclusively) states and often (not exclusively) institutions, defined as ‘persistent and connected sets of rules, formal and informal, that prescribe behavioural roles, constrain activity, and shape expectations.’\textsuperscript{3}” But understanding of multilateralism could not be complete without such qualitative notions as justice, international obligations under treaties and respect for law.

The EU is strongly committed to the principles of effective multilateralism in the Union’s foreign policy. According to European Security Strategy, an international order should be based on effective multilateralism. Realising its interests, the EU sees its role as a promoter of the European model and systematic attitude on the global level.\textsuperscript{4} This contributes to the EU’s strategic choice.

Transatlantic partnership is another core element of the EU foreign policy. Despite existing divergence between European and American concepts and practices of global governance, transatlantic relations remain ‘irreplaceable’ in fostering the EU’s role as a global actor. A new European Security Strategy proclaims: “The strategic relationship between the European Union and the United States is of primary importance to transatlantic prosperity and stability, with the EU and the USA accounting for over 30% of the world trade and over 50% of global GDP\textsuperscript{5}. Europe shows its strong commitment to act together with the US not only when dealing with security issues such as international terrorism, weapons of mass destruction, conflict prevention and peace keeping, but also when working on economic and legal issues. Having moved from the policy of “building bridges across the Atlantic” in 1995\textsuperscript{6} to “essential partnership”

\textsuperscript{1} Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee – Governance and development. Mode of access: http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:52003DC0615
in 2011\(^7\) and then to “unique partnership” in 2014,\(^4\) today the EU-US relations represent full-featured partnership encompassing non-governmental and parliamentary cooperation.

EU-US cooperation is organised through on-going dialogues on most issues covered by the action plan of the Transatlantic Economic Partnership (TEP) launched in 1998 on London Summit including the Transatlantic Business Dialogue (TABD), the Transatlantic Consumer Dialogue (TACD), the Transatlantic Policy Network (TPN), the Transatlantic Environmental Dialogue (TAED), and the Transatlantic Legislators Dialogue (TALD). These formal structures have contributed to wide engagement of lobbyists, groups of interests, non-governmental organisations and civil society activists. Representatives from firms and corporate lobbyists took part in the work of the Transatlantic Economic Council and advised the European Commission and the US government. From the very beginning, lobbyists were incorporated into the process of negotiations. Deepening transatlantic cooperation facilitated formation of influential transatlantic lobbies both in the EU and the US with whom we are dealing in current TTIP talks.

**TTIP as a means to global governance**

The US and the EU, taken together, represent over 60% of the global GDP, 33% of the world trade in goods and 42% of the world trade in services in particular. A free-trade agreement between these two largest economies after China would establish the biggest zone of economic integration covering 46% of the world GDP. Despite close economic cooperation between Europe and US, which are very important trade partners for each other, they compete for the global markets and have long-lasting economic conflicts, some of them currently being under the World Trade Organisation (WTO) examination.

Some sort of transatlantic free trade area was first proposed by Germany in the 1990s, but at that time it was not appreciated. Later on, in 2006 the German Chancellor Angela Merkel returned to this issue. However, the 2008 financial crisis provoked growing protectionism on both sides of the Atlantic and yet again delayed the beginning of respective negotiations. Finally, in 2011 a group of high-ranking international experts launched the work on preparing recommendations for a wide-ranging free-trade agreement. On February 12th, 2013 the then EU Commission President Jose Manuel Barroso and President Barack Obama officially announced the beginning of talks on the future agreement.

TTIP is more ambitious and expansive than any standard trade agreement. It is divided into 24 chapters, grouped into 3 parts: market access, regulatory cooperation, and rules. The negotiations are mainly focused on the most controversial issues which are tariffs reductions or eliminations, technical barriers to trade (TBT) and non-tariff barriers (NTBs). Potential gains from TTIP depend heavily on the extent to which tariffs, technical barriers and non-tariff barriers are eliminated. The main goal of TTIP is to remove divergent standards between EU and US – which is very ambitious and challenging. Mutual recognition of equivalent rules and standards could lead not only to economic growth of participants but also to setting very important international norms and standards.

An idea of transatlantic economic integration is a far-reaching geopolitical implication that aims at boosting transatlantic economic growth amidst rising threats from China and other emerging economies.\(^9\) Here, Europe has both positive and negative motivation for closer binding with the USA because the very idea of transatlantic cooperation promises not only economic and political benefits but also guaranty that Europe won’t be excluded from the global governance, keeping its market closed for the others and staying aside of the others markets at the same time. By slowing


down negotiations on TTIP with the USA, the EU risked to speed up America’s talks on TPP and cut itself from the world most important market in twenty years from now. The 11th round of negotiations on TTIP (which took place on 19-23 October 2015 – soon after the draft agreement on TPP was adopted by 12 countries) has showed European concern and readiness to make substantial concessions in order to stay involved in global economic cooperation.

**Lobbying TTIP in Europe**

Although aspirations and predicted effects of the free-trade agreement are mostly positive, potential economic gains remain a subject of heated discussions. TTIP affects a huge number of industries, sectors, and enterprises. Not surprisingly, the negotiations launched attracted unprecedented attention and provoked protests from both civil society and certain business structures.

Major European fears stem from the risks of standards harmonization at consumer’s expense. Large number of protests were conducted by European farmer’s associations who are concerned about competitiveness of high-standard European agricultural sector in comparison to the American one, where genetically modified food and hormones are widely used to make the final price of the product lower. After several rounds of behind-closed-doors EU-US negotiations, the level of social anxiety in Europe was particularly high. Taking into consideration concerns about democratic deficit and the lack of transparency, the Council decided to publish the European Commission’s mandate and make the whole process more open. The Commission launched public consultations, and several groups of experts under DG Trade and DG Enterprise tried to enroll players affected by TTIP. Now business groups, trade unions, consumer, health and other interest groups were granted an opportunity to express their position and concerns. Along with that, in November 2014 the new European Trade Commissioner Cecilia Malmström promised that civil society would be more involved into the TTIP negotiations.

The whole TTIP issue became a subject of heavy media coverage in Europe. Widely known internet resources like EurActive.com, corporateeurope.org, and lots of others published series of reports or report-like investigations dedicated to TTIP and its effects. They launched an anti-TTIP campaign which resulted in civil interest being mobilized. Self-organised European citizen’s initiative against TTIP called “STOP TTIP” is worth mentioning here. This initiative was officially refused a registration under the European Commission but they continue their outside lobbying campaign along with gathering signatures contra TTIP. One of the major arguments voiced by “STOP TTIP” campaign leader Pia Eberhardt is that Commission officials, who were not democratically elected, have the right to decide on agreement that contradicts the principles of democracy and affects every single European citizen. Moreover, Commission is suspected of conducting behind-the-closed-door negotiations with business lobbyists, sacrificing democratic rights to satisfy corporate interests. Under harsh criticism Commission had to announce open consultations on TTIP. But almost a year after the Commissioner Malmström’s claim, the consultation policy on TTIP has not become less business-biased. Out of the total number of meetings with groups of interest, only 16.7% are held with the public interest groups and only one out of five business lobbyist is registered, which can easily be checked by analyzing the list of the Commissioner’s meetings.

It is difficult to deny the fact that organised civil interest groups can make a real impact on perceptions of TTIP by the public and officials.

---

10 Ibid.


The issue of the effectiveness of public groups’ ability to shape opinion can be additionally clarified by analyzing the example of the Anti-Counterfeiting Trade Agreement (ACTA) defeat. By the Treaty of Lisbon, the European Parliament was given the right to approve or reject international trade agreements. ACTA is a curious case when a campaign initiated by a small number of citizen groups against the agreementratification in the EP turned out to be successful. The TTIP scenario does not have to be exactly the same, but still is a good example to show the influence of civil groups and possible outcome of interest mobilisation.

US position on TTIP

In the USA the TTIP issue receives less public attention and is definitively perceived not as negatively as in Europe. Americans do not seem to be concerned with consumer protection weakening as much. Instead of that, major US worries circle around possible erosion of the US energy advantage and of weakening the US financial regulation. The United States were hardly hit by the recession caused by the 2008 financial crisis and want to exclude another overheating of markets and to prevent risky transactions. Now that the American economy shows signs of improvement, no serious agreement is to jeopardize the hard-won and delicate economic balance. Another sensitive issue is the US energy market. Shale gas boom, along with improvements in technology and efficiency, make it possible to keep the price on energy resources considerably low. Exporting liquefied natural gas would make the prices higher, anyway.

The interests of huge transnational American companies are articulated by the American Chamber of Commerce, which is the most powerful pro-TTIP lobby group. The main national discussion on TTIP is concentrated within the Senate which includes ‘trade liberalisers’, ‘fair traders’ and ‘trade skeptics’. Despite that division, the Senate is generally considered to be in favour of the TTIP.

It should be mentioned that lobbying regulation and practice of interest representation in the USA is different from the one in the EU. Lobbyists and groups of interest traditionally play an active role in the American decision-making processes, and the regulation of their activity is much stricter, than in Europe. According to the Lobbying and Disclosure Act of 1995, all lobbyists are required to register with the Clerk of the House and the Secretary of the Senate and to provide semiannual reports of their activities and expenditures. Lobbying activity in general is highly controversial and is often negatively depicted in mass media. At the same time, this occupation is subject to extensive rules and regulations which can lead to prosecution, if not followed. It is worth mentioning that, in contrast to Europe, in the US officials are not allowed to conduct meetings with non-registered lobbyists.

Professional lobbyists form a layer between officials and civil servants, on the one hand, and business associations and trade union, on the other hand. The activity of professional lobbyists is interpreted as the right for free speech, which is constitutionally protected by the First Amendment of the American Constitution. The US faces its own challenges regarding immense number of lobbyists and growing lobbying budgets, but it is hard to deny that this kind of tightly regulated interest representation system works well, when it concerns consolidation of public position on an issue and then finding a compromise in the Congress, which enables the American government to act in a cohesive way.

For the US TTIP is equally a question of geostrategic importance. Congressional debates on TTIP usually focus on general topics – like overall economic impact and implications for global governance and international standards. Creating new global norms, technical standards, and regulatory convergence is meant to boost the US economy along with the EU one and to confront growing Asian influence, which threatens US positions in the global arena. During negotiations, the Congress has referred to the situation in Ukraine as a reason to pursue transatlantic efforts to help its macro-economic revitalisation. If signed, TTIP will definitively have a serious impact on the future of global economy and on multilateral structures, like the World Trade Organisation. Therefore, neither US, no EU want to stay on the sidelines of this agreement.
In the meantime, the USA is conducting negotiations with Asia-Pacific countries on the Trans-Pacific Partnership – a full-fledged alternative to TTIP in creating the biggest free-trade area. This agreement was drafted on 5 October 2015 after 7 years of negotiations and is now under ratification by its 12 signatories.

**Democratic deficit in the European Union**

European Commission is constantly engaged in designing various initiatives in order to increase participation of interests groups, particularly NGOs, in politics and therefore to increase the level of the democratic legitimacy of the EU: “Regulation of lobbyists refers to the notion that there should be rules which the interest groups must abide by when trying to influence public decision-making”. However, during TTIP negotiations the Commission has faced harsh criticism for the lack of transparency in the ways interest groups and particularly corporate lobbyists participate in policy-making process.

A democratic political system should envisage regulation of political actors’ behaviour, and the EU cannot be an exception here. Lobbying regulation is particularly important, because the political system of the EU is characterized by high degree of reliance on civil society. It is widely agreed, that lobbying regulation has two major aspects: public officials’ behaviour and lobbyists’ code of conduct. Speaking of lobbying regulation, I consider both of these notions. Bringing together theoretical considerations on democratic deficit with lobbying regulation approaches, I argue that an adequate regulation of interest groups’ representation increases accountability and transparency and, therefore, can be considered a method of dealing with democratic deficit and contributing to consolidation of Europe’s position on international arena.

A clear definition of democratic deficit is given by Beetham, who says that democracy is about popular control and political equality. Both concepts require accountability which is the key element in any democratic system, be it national or supranational. In a democratic system of governance, rulers should be accountable for their actions as they defend public interests and represent people who have elected them. Here we come to the second major characteristic feature of democracy which is transparency. It is obvious that transparency itself is presupposed by accountability. Lack of transparency compromises accountability. There might be plenty of other more sophisticated designs of democratic systems depending on interpretations, positions and scholars’ opinions. But talking about democracy in respect to the EU, while trying to not compromise any of the complexity of interest representation practices, would only make it tangled.

The issue of the democratic deficit in the European Union seems to have been there forever. Yet there is no common attitude to it among scholars. On the one hand, we have such prominent intellectuals as Giandomenico Majone and Andrew Moravcsik, who argued that the EU should not necessarily meet all the expectations in what is considered to be democratic, meaning that the EU is already as democratic as it could, or should, be. On the other hand, there is a polar point of view, articulated by Simon Hix, who called the EU policymaking an “enlightened form of benevolent authoritarianism”. Most researchers’ position falls somewhere in-between.

A “standard version” of democratic deficit elaborated by Weiler and his colleagues and, later, by Simon Hix still reflects the EU situation today. Five major claims, described by Simon Hix and Andreas Follesdal, are still relevant, though reforms under the Treaty of

---

Lisbon came into force. Obviously, we are witnessing “an increase in executive power and a decrease in national parliamentary control” which became especially problematic in light of the Eurozone crisis.

One would argue that growing role of the European Parliament is a step forward on the path to a more democratic Union. There is a clear tendency of the enforcement of the European Parliament’s role that has been described by democratic deficit scholars since the mid-1980s. The Lisbon Treaty extended Parliament’s legislative power, making it a lawmaker equal to the Council. Among other important decision-making procedures and budgetary powers, the role of Parliament is bolstered by the election of the President of the Commission.

Finally, there is a clear tendency of a neoliberal “policy drift” on the supranational level. The EU takes political decisions that are not popular in member states. The whole institutional system of the EU empowers governments to conduct policies at the European level that they could hardly follow at the national level, because at the domestic level they are controlled by national political actors like parliaments, courts, groups of civil and corporate interests. Common Agricultural Policy and the Single Market regulation may be good examples here. Such a “policy drift” is highly criticized by most social democratic scholars for the lack of transparency, lack of accountability and absence of groups of interest from the decision-making process.

Conclusion

Among all European institutions, the Commission has been criticized for the lack of transparency more than the others have. Therefore, from the late 1990’s The European Commission launched several new initiatives trying to fix the issue of its technocratic lack of accountability. It has deliberately drawn groups of interests in capacity of experts into decision-making process, both to compensate the lack of democratic participation and improve the effectiveness of policy outcomes.

Today’s situation has not changed dramatically, except for the post of the Commission’s President who is to be elected by the European Parliament according to the Treaty of Lisbon. The Commission has also launched new initiatives to grant access for those lobbyists who are able to provide them with technical expertise on issues that exceed competences of its members. As Henri Hauser notes, “By involving a range of public and private interests in discussions concerning policy initiatives, the Commission circumvents “obstruction of national governments”. Interest groups’ participation in the decision-making process allows the Commission to find a consensus among key stakeholders. At the same time, the analysis of TTIP negotiations has shown that the lack of proper normative regulation of lobbying in the EU creates misbalance in the system of interests’ representation which lead to social tensions and undermines positions of the EU as

26 Ibid. P. 696.
a global actor. Here we come to the conclusion that the only way to decide who merits participation in the political process is at least properly legal regulation of access for lobbyists. While self-regulation of lobbying activity has already shown its ineffectiveness.\textsuperscript{27}

As Chari has noticed, “The basic rationale behind implementing regulations is that the public should have some insight into, as well as oversight of, the mechanisms that draw lobbyists into the policy-making environment, in order to better understand how they influence policy outputs”.\textsuperscript{28} Enacting a mandatory lobbying register could increase the level of transparency and accountability. Mandatory lobbying registration could make it clear who is lobbying and for what. Introduction of penalizing codes of conduct for lobbyists could also increase the level of transparency and accountability in the Commission and promote political equality. The process of TTIP negotiations shows the need for open democratic debate which is only possible along with lobbying regulation. All these measures could help the EU to make its position more substantive, stable and predictable which measures could help the EU to make its position more substantive, stable and predictable which is an indispensable condition for action on the global level.

On the whole, the EU represents a complex public-sector organizational system with its own specific features and unique path of development. In this article I wanted to examine an impact of interest representation and lobbying regulation on the outcome of multifaceted negotiations and shaping the global governance. Stricter lobbying regulation can contribute to strengthening the EU’s position on the global level as it was shown by analyzing TTIP case. For now, we may assume that lobbying regulation could foster coherence inside Europe and thus improve its performance in global governing which is essential for the EU especially taking into consideration the USA’s intentions to switch on Asian partners for closer cooperation.

Literature / References:


Willis, Andrew. EU Lobby Register Blasted as Wildly Inaccurate. Mode of access: https://euobserver.com/news/30910
УЧАСТИЕ ЕВРОПЕЙСКОГО СОЮЗА В ПЕРЕГОВОРАХ О ТРАНСАТЛАНТИЧЕСКОМ ТОРГОВОМ И ИНВЕСТИЦИОННОМ ПАРТНЕРСТВЕ

Дарья Эдуардовна Руденкова

Институт мировой экономики и международных отношений имени Е.М. Примакова Российской академии наук (ИМЭМО РАН), г. Москва, Россия

Информация о статье:
Рукопись поступила в редакцию: 21 января 2016 г.
Пришла к печати: 25 мая 2016 г.

Об авторе:
Младший научный сотрудник, Отдел международно-политических проблем, Институт мировой экономики и международных отношений имени Е.М. Примакова РАН
e-mail: rudenkova.daria@gmail.com

Ключевые слова:
финансовое регулирование; Европейский союз (ЕС); Трансатлантическое торговое-инвестиционное партнерство (ТТИП); Трансатлантическое партнерство (ТТП); группы интересов; лоббисты; регулирование лоббизма.

Аннотация: Европейский союз является одним из крупнейших участников мировой экономики, что в какой-то мере определяет его стремление продвигать свои стандарты и ценности по всему миру. В то же время амбиции ЕС играть одну из ведущих ролей в глобальном хозяйственном управлении наталкиваются на внутренние противоречия — как среди стран-участниц, так и среди представителей деловой среды. Анализ процесса переговоров по Трансатлантическому торгово-инвестиционному партнерству (ТТИП) показывает, что, по сравнению с США, отсутствие у ЕС консолидированной позиции ставит его в невыгодное положение и вынуждает тратить немалые ресурсы для поиска компромисса между группами интересов и государственным обществом, которые разделены на сторонников и противников заключения ТТИП. Вместе с тем, для интегрированной Европейской партнерства с США крайне важно с геополитической точки зрения, поскольку позволяет сдерживать или, по меньшей мере, конкурировать с растущим влиянием стран Азиатско-тихоокеанского региона. Однако утверждение статьи автором глобального хозяйственного управления. Однако для США создание зоны свободной торговли с ЕС не является единственным возможным выбором: параллельные переговоры по заключению Трансатлантического и партнерства (ТТП) продвигались гораздо дальше — 5 октября 2015 г. стороны достигли компромисса по предварительному варианту соглашения, который, в случае ратификации, поставит единый европейский рынок в крайне нежелательное положение и сделает неустранимыми позиции ЕС в глобальном управлении. Для ЕС представляется крайне важным ввести регулирование лоббизма на европейском уровне, что не только сделало бы более прозрачным процесс принятия решений, но и позволяло бы равным доступ и право донести свое мнение заинтересованным группам интересов до европейских институтов. В отсутствии регулирования представленность интересов ЕС имеет ограниченные возможности консолидировать позиции своих внутренних авторов, что негативно сказывается на его положении в качестве глобального актора и вынуждает умерить свои запросы в переговорах с США.

DOI: 10.18611/2221-3279-2016-7-3(24)-61-70

For citation: Rudenkova, Daria E. European Union Participation in Negotiations on Transatlantic Trade and Investment Partnership // Comparative Politics Russia, 2016, No. 3, pp. 61-70.
DOI: 10.18611/2221-3279-2016-7-3(24)-61-70