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Trade liberalization as regulatory reform: on the transformation of business-government relations in international trade politics

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Abstract:

Business-government relations on trade issues are generally conceived as protectionist lobbying or – in rare cases – lobbying for the liberalization of markets. However, with the evolution of the trading system, negotiations today concern not just market opening, but also the regulatory frameworks that structure international exchanges in a given domain. This transformation has important consequences for the ways in which private interests can contribute to international trade negotiations. Instead of simply trying to exert pressure on governmental delegations, businesses and other private actors now form working relationships based on learning and information exchange. This article illustrates these public-private interactions with examples from the U.S., the E.U., and Brazil.

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Introduction[1]

International trade negotiations have changed profoundly in the last 50 years. Since the first rounds of talks under the General Agreement on Tariffs and Trade (GATT), stakes have moved from the reciprocal reduction of tariff barriers to include an increasing wealth of non-tariff barriers and even domestic issues with an impact on trade. The Uruguay Round led to the creation of the World Trade Organization (WTO) in 1995 and expanded the coverage of the multilateral trading system to services and intellectual property rights (see Hoekman/Kostecki 2001). Trade-related domains, such as environment or labor standards, competition or investment policies are also affected by the rules negotiated under the WTO. These transformations have led to the participation of new non-governmental groups that try to participate in the trade negotiations in order to off-balance the influence of big business (Marschner 2001). Indeed, activists and the anti-globalization movement have accused the WTO to be in the hands of business who seem to have privileged relationships with trade negotiators (e.g. Corporate Europe Observatory 1999; e.g. Wallach/Sforza 1999; Wesselius 2002).

In academic writing, studies on trade policy lobbying have focused on strong business-government relations for a long time (Schattschneider 1935; Bauer/Pool/Dexter 1972 (1963)). The principal model of business-government interactions on trade policy that came out of this tradition is still dominant today. In most trade policy accounts, business is assumed to determine first whether its material

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interests lie in the access to new markets or the protection of home markets. It then tries to influence political decision-makers, offering votes or material incentives in exchange for the desired outcome. In the school of economic regulation, which formulated these assumptions the most explicitly, all trade decisions are the result of industry lobbying, which explains why trade policy is often so protectionist (Stigler 1971; Posner 1974; Buchanan/Tollison/Tullock 1980; Krueger 1995). Understanding the making of trade policy therefore implied understanding whether firms would lobby for protectionism or liberalization and sophisticated models have been developed to predicting industry behavior according to factor distribution, sectors or firm strategies (Milner 1988a; Milner/Yoffie 1989; Rogowski 1989; Alt/Gilligan 1994; Alt et al. 1996; Gilligan 1997).[2]

For anyone looking empirically at business-government interactions, however, reality quickly reveals to be more complex. First of all, firms maintain a great variety of relations with governments that go far beyond demands for open or closed markets. Depending on the sectors, governments solicit firm input and even delegate tasks to business actors (Cutler/Haufler/Porter 1999). Second, business-government relations often take the form of close working relationships, characterized by the mutually beneficial exchange of information and reciprocal learning (Lassalle de Salins 2004; Woll 2005). Although examples of traditional pressure lobbying exist as well (Arkell 1994; Sell 2000), business-government relations display a much greater variety than previously assumed in the international political economy literature on trade.

The central argument of this paper is that traditional business-government models can no longer capture all of the empirical reality, because they are based on an

[2] Others have furthermore studied which institutional conditions allow industry demands to be more or less successful (Lohmann/O'Halloran 1994; O'Halloran 1994; Gilligan 1997). In these account, industry lobbying might not have an impact on trade policy, but only because politicians were sufficiently insulated from industry pressure or because firms were unable to act collectively. The general dichotomy between lobbying for either protectionism or liberalization, however, remains the same.

outdated and sometimes inaccurate conception of the nature of trade negotiations. Pressure lobbying for protectionism or liberalization, as appropriate as it may seem for tariff negotiations, does not account for strategies related to the new dynamics and complex issues negotiated under the WTO. Put differently, the liberalization of trade in products often moves the target of business lobbyists from tariffs to production processes (Hoekman/Kostecki 2001: 453), even though subsidies, and lately safeguards remain an important issue.[3] Recent trading issues often imply the construction or harmonization of regulatory regimes, especially in new areas such as intellectual property or service trade (Sauvé/Stern 2000; Mattoo/Sauvé 2003). In this context, business-government relations resemble the interactions of firms and governments on domestic regulatory issues (Willman et al. 2003; Coen 2005) and not the lobbying on tariff negotiations or safeguards.

By underlining the changing nature of international trade negotiations, we argue for a revision of the traditional conception of business lobbying in international trade. In particular, the growing number of private actors involved in international trade negotiations should not be confused with a growth of corporate pressure on governments, because governments often solicit and select the firms they work with. Through articulating the transformation in the trading system with the changing nature of business-government relations, we try to specify why and when we should expect a particular kind of lobbying behavior.

The paper proceeds in three steps. A first section reviews analyses of the multilateral trading system and highlights that international trade increasingly includes regulatory issues. A second section illustrates how these changes affect the business-government relations through examples from the United States (US), the

[3] Safeguards still remain a popular target of lobbying activities by sectoral groups. Import duties applied by the US government on March 2002 on steel imports or the activity of European textile producers confronted to Chinese imports are among the latest.

European Union (EU), and Brazil.[4] A third section then analyses business-government relations more theoretically and distinguishes existing traditional pressure lobbying from business-government relations common in regulatory contexts. The conclusion then clarifies the implications of our distinctions for common assumptions in the field of international political economy.

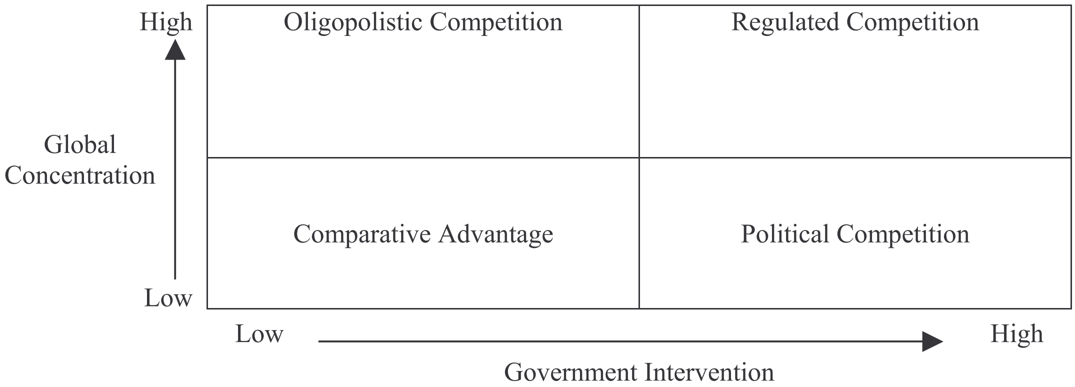
1. Trade negotiations as regulatory reform

As early as 1989, Milner and Yoffie (1989) remarked that the study of business lobbying is trapped in a dichotomy between liberalization and protectionism. In tradition with David Ricardo (1817 [1992]), trade was imagined as the exchange of goods between two countries with competitive markets where production follows from a country's comparative advantage. Under protectionism, a country raises the barriers to entry for foreign goods; under free trade, it abandons these barriers and exposes its firms to foreign competition. Multilateral tariff negotiations, the reason for which the GATT was created, ensure nothing more than the reciprocal reduction of external barriers and consequentially the stakes for the affected firms are quite clear. This assumption, however, holds true only if all countries have perfectly competitive markets on the inside that they only decide to open or close to foreign competition. And this is not necessarily the case. In his book, "Beyond Free Trade", David Yoffie (1993) argues the nature of competition is very different if a) there is a high or a low degree of industry concentration in a particular market and b) government

[4] The empirical discussion draws heavily from the qualitative interview series we carried out for our respective dissertation researches. The semi-directive interviews were carried out with representatives from firms, business associations or governments in all three countries and the member states of the EU between September 2002 and December 2004. Almost all interviews have been conducted in the native language of the interviewees. For simplicity, the quotes used in the following text have been translated into English by the authors.

intervention in a sector is intensive or low. Yoffie summarizes the divers nature of the global trading system in the following picture.

Figure 1: Drivers of International Trade (Yoffie 1993: 19)



According to him, the classic trade model corresponds to the lower left-hand box. National markets have few imperfections and government has a small role, so that a large number of firms compete based on their comparative advantages once trade barriers are reduced. However, he also identifies three other forms of international competition: oligopolitistic competition between large firms in liberalized national markets, political competition between two different systems of government intervention and regulated competition, where both firm concentration and government intervention is high.

Yoffie’s characterization corresponds to Cowhey and Aronson’s (1993) analysis of global trade. To them, trade negotiations previously aimed at obtaining a “free trade regime” based on the free movement of goods and national comparative advantage. Today this logic has eroded;, some authors even argue that commercial partners having little more to earn for an exclusive liberalization of markets (Garrett 2000). Investment has become coequal with trade, the boundary between services and goods is vanishing and consequentially the modes of trading have become more complex. Firms often maintain business operations in foreign countries, but are unable to compete on equal footing with national producers due to product or process restrictions. The central question is no longer whether or not to allow free trade with a foreign country, but whether and how to ensure market access in a foreign market. Instead of following universally applicable rules, these "market access regimes" have to be negotiated sector by sector, since the stake of a market access regime is the internationalization or the harmonization of domestic policies applying to a particular product or service market. While the classic literature has tried to include such restrictions in the concept of "non-tariff barriers" to trade, they are often embedded in different domestic regulatory approaches or competition policy.

Many of these domestic regulations cannot simply be undone by multilateral negotiations. In sectors were regulatory issues are salient, trade negotiations therefore attempt to harmonize or to internationalize regulatory standards. Prominent examples are service trade negotiations, where market access hinges on qualification and licensing requirements, pro-competitive regulation or universal access requirements for health services or transport, for example (Mattoo/Sauvé 2003). But even trade in goods poses the question of internationally applicable production and process regulation, such as environmental or labor standards. Intellectual property rights and the recent pharmaceutical debates also revolve around what can be traded when. The question is no longer whether or not to liberalize trade but *how* to liberalize trade in a given sector. In sectors where industry concentration and government intervention is high, multilateral trade negotiations have become coequal to international regulatory reform.

The transformation of the institutional setting is a crucial variable to understanding this evolution. The changes in the international governance of trade sensibly modified the setting which determines the lobbying of economic actors. The "new trade themes" and the refinement of trade policy instruments, such as the WTO dispute settlement system and its application on national soil, call for an expertise that was less relevant in previous GATT rounds. Referred to as legalization (Goldstein/Martin 2000) judicialisation (De Bièvre 2004) or sometimes as regulation, the changing nature of trade policy brings about a transformation of business-government interactions.

On a semantical note, talking about regulation in the context of trade can lead to confusion. For the economists of the school of economic regulation (e.g. Stigler 1975), the term referred to all forms of government intervention and became the bipolar opposite of free competition (cf. Jordana/Levi-Faur 2004). For others, regulation refers to economic steering executed by independent administrative agencies. More generally, regulation often refers to a set of targeted rules. In the following, we will adopt a definition of regulation as "the promulgation of an authorative set of rules, accompanied by some mechanism […] for monitoring and promoting compliance with these rules" (Baldwin/Scott/Hood 1998: 3). In multilateral trade talks, these rules can be fixed in the form of sector-specific agreements, such as the basic telecommunications agreement and its reference paper. In contrast to domestic rules, these international agreements do not necessarily lead to the establishment of independent regulatory agencies. Rather, implementation and compliance can be delegated to existing national agencies or simply be enforced the trade monitoring and the WTO dispute settlement procedures.

2. Business lobbying on multilateral trade negotiations

For business actors, these new stakes imply a very different type of engagement in international politics (McGuire 1999). Previously, firms or associations tried to affect their government's decision to lower or maintain barriers to trade. On regulatory issues, the stakes are less clear. Both government negotiators and firm representatives need to determine how to transnationalize or harmonize domestic regulation, preferably with the greatest possible benefit to the national economy (for government representatives) or a particular firm (for business representatives). Quite often multiple alternatives and a series of intricate details need to be evaluated and governments solicit industry input for doing so. Stakes are no more evident to firms, which often need a considerable amount of time in order to learn and evaluate the impact of a given set of negotiations. Three aspects of the new types of business-government relations that form in these contexts are particularly important: 1) the great degree of uncertainty about the stakes for both business and government and the learning process that follows it, 2) the active solicitation of private actor participation and 3) the mutual dependence that forms in the process. We illustrate these aspects using examples of business-government relations in the US, the EU (mainly with the European Commission, who negotiates trade matters on behalf of its member states), and Brazil.

2.1. Uncertainty

The effects of trade policies are often difficult to evaluate due in part to the evolution of corporate strategies of individual firms.[5] Increasing vertical integration and the internationalization of corporate strategies on one side interplay with growing complexity of trade negotiations and regulation on the other side. Many firms find it difficult to catch up with the WTO agenda, which explains why effective lobbying

[5] For instance, in Brazil's textile sector foreign firms operating on national soil during the 1990s did not support liberalizing policies due to their world corporate strategy, and this even though the sector remained competitive at an international level.

during the early years of a trading issue is rare. In countries that are newcomers to trade liberalization like Brazil, government officials recall how long it took part of the agricultural industry to "professionalize" their demands during the 1990:

> The first thing they [the producers] did when confronted to the opening of the economy was to ask for subsidies, later they launched a badly-knitten anti-dumping procedure, followed by a serious study on tariffs to finally achieve a decent anti-dumping procedure. It clearly was a learning process but they are now aware of each one of trade defense instruments.[6]

In many way, calling for simple protection was a matter of habit, sometimes even detrimental to the interests of given sectors, who only learned slowly that they could also demand anti-dumping procedures against tier-countries. The same interviewee recalls:

> During the 1990 the textile sector was confronted to a strong pressure of Chinese imports. They [the Brazilian textile industries] demanded subsidies, but they are now demanding an agreement with the EU. This change didn't come overnight; the evolution of this position took two years to emerge.[7]

Yet, even though there has been a learning process, WTO procedures often remain obscure and not only to firms from newcomer countries. A representative from a European telecommunications company remembers:

> I have to admit, I only discovered the WTO at the margin. Initially, people considered the WTO to be something quite abstract: "value-added", "basic services" …? In most countries, you didn't have a realization that there was a new reality… that you couldn't do anything without paying attention to the WTO.[8]

Following the negotiations was just as difficult, as a US business representative explains:

> Nobody knew how to read a schedule of commitments. We even had people think that '- none, -none, -none' meant that none had market access.[9]

To resolve these difficulties, business representatives had to get creative.

> We developed a sort of code to talk to one another while government representatives were in the room. We made sure we would start our phrases by saying 'Just to review a little bit what has been said…' so that everybody understood what was going on.[10]

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[6] Interview with a government official of the Ministry of Foreign Affairs in Brasilia, September 2002.
[7] Ibid.
[8] Interview with a representative from a German telecommunications provider, July 2003.
[9] Interview with a US business representative, Washington, D.C., 2 July 2003. 'None' answers the question about remaining market access restrictions.

Uncertainty on issues and possible outcomes translated into concrete apprehensions in the early period. From Brazil's textile industry to European telecommunications or US air transport, all business representatives that had recently started following the WTO, felt that there was a high risk of being traded-off "against bananas".[11] This fear applied not only to firms affected by the negotiations on new trade issues, it was also a consequence of increasingly complex negotiations on traditional industrial sectors like textile or steel as well. Information on all aspects of negotiations are sometimes difficult to obtain, even for government representatives. This is particularly true for emerging countries like Brazil. Previous GATT rounds had been conceived as relatively vague and non-constraining. For a long time, only few government officials were in charge of these negotiations and they had little sense of what the real situation was in each sector concerned once they started negotiating under the WTO framework: "we handled little information, and we arrived to the negotiation table with rather impressionistic data."[12] Consequentially, it was not unusual for business representatives of a given sector to travel all the way to Geneva engage into last–minute lobbying activities, to make up for the governments lack of information and to made their demands visible.

2.2. Solicitation

However, firms were not always the ones who took the initiative to follow and enter into contact with the government negotiators. Quite often, it was the government which made a concerted effort to reach out to business, inform them of negotiation stakes and solicited their help.

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[10] Interview with a US business representative, Washington, D.C., 2 July 2003.
[11] Interviews in Brussels, Washington and São Paulo, November 2002, July 2003 and June 2003 respectively.
[12] Interview with a Brazilian government representative, Brasilia, 15 September 2002.

Brazil has undergone a radical change in this matter. In recent years the Brazialian government has developed an extensive information network on trade matters, associated with an increased level of interaction with business representatives. Non-tariff restrictions, higher technological standards and expertise, have all compelled government officials to learn more about production processes,[13] which in turn required closer cooperation with business.

Moreover, governments in many emerging countries have set up information channels to allow at least a minimalist understanding of the functioning of the WTO. Increased transparency and a reliable commitment to a long-term trade policy have been crucial factors in countries with unstable state structures to convince business representatives to invest time and resources on the process an engage in formally accepted lobby practices (Diniz 2000).

Here, in contrast with industrial economies like the ones of the EU and the US, the asymmetries of world trade have led the governments of emerging economies to search for more detailed knowledge. Although government officials working on trade matters became more numerous and were better trained (by the creation of a career of specialist in foreign trade), countries unanimously felt the need to integrate business input in order to strengthen the national position in the increasingly complex negotiations. Indeed, during the negotiation of Free Trade Agreement of the Americas (FTAA) and MERCOSUR-EU association, the Brazilian government felt the disproportion of solid teams ("an army") of US and EU representatives confronted to a limited number of ill-prepared representatives. To make up for this asymmetry, business representatives were henceforth included into negotiation teams. Last but not least, the transparency associated to these negotiation processes (FTAA official

[13] Business representatives of the textile sector have repeatedly turned to the Brazilian government to help government officials understand production processes related to trade negotiations. Interview with several textile representatives during 2002-2003.

forums between government and entrepreneurs) transposed a new culture of interaction between government and business on trade matters.

Yet the active solicitation of business input is not only common in emerging economies. US and EU government representatives engage in equally extensive outreach programs. In the US, the government used much of their early contacts with US business to "try and inform them about why we thought this was a good idea."[14] US government had to make an effort to get companies interested:

> If you want a meeting, you call the companies. We didn't even know who they were, so we started casting the net and bringing them in. [15]

For government representatives on both sides, consulting with companies was considered crucial:

> All trade negotiations are done on behalf of our companies, so it is important that there is a continuous back and forth between them and the government.[16]

Governments therefore solicit consultation with business experts, even though there can be differences between countries. On telecommunication services, the US administration has for a long time asked private sector representatives to join them. According to a European observer, sometimes "the US private sector delegation would be as large as the government delegation."[17] A US business representative confirms, "if you are a significant American company, a lot of times the government might ask you to be part of the delegation."[18] In Europe, the Commission also tries to work with business representatives but found their early response surprisingly uninterested.

> The difference is that governments [in Europe] are not used to working with industry. And industry is not used to working with them […] except in the UK.[19]

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[14] Interview with a US government representative, Washington, D.C., 20 June 2003.
[15] Interview with a US government representative, Washington, D.C., 18 June 2003.
[16] Interview with a US government representative, Washington, D.C. 20 June 2003. Very similar statement were made by representatives from the European Commission and the Council Secretariat.
[17] Interview, Brussels, 3 September 2003.
[18] Interview with a US telecom operator, Washington, D.C., 25 June 2003.
[19] Interview with a US based telecommunication service provider, Washington, D.C., 25 June 2003.

Nonetheless, the Commission tries quite actively to involve business representatives, not the least because it needs to keep up with the wealth of technical information that the US government can provide due to its business consultation. A representative of an EU business association explains:

> Quite often, the Commission will approach us to keep them informed about market barriers encountered: 'If you have a problem, please tell us!'[20]

Indeed, the Commission has made an enormous effort to cooperate more closely with business representatives in order to obtain technical expertise necessary to keeping up with their American counterparts. This effort has led to the creation of the Transatlantic Business Dialogue (TABD) in 1995 and smaller associations such as the European Service Forum, where European business leaders were given a chance to enter into contact and consultation with Commission officials (Cowles 2001). At the opening of the European Service Forum, former European trade Commissioner Sir Leon Brittan (1999) underlines,

> I am in your hands to listen to what your objectives are […]. I count on your support and input […] so that we can refine our strategy and set out clear, priority negotiating objectives which will make a difference in the international expansion of business.

For firms that want to work with the Commission, however, these forums imply a very particular kind of logic. Since it can decide to consider or ignore business input, firms need to make constructive suggestions that help increase the Commission's political decisions. For the Association of European Airlines (AEA), this logic was quite noticeable:

> AEA represents very divers interests. The only agreement they can find is liberalization. In Europe, what is possible is finding the common good. That's the reason why the position papers of AEA are almost 'extremist' – I say this without any negative connotation. They are radical, they push the logic to their very end. That's understandable. When you demand very specific things, you cannot always chose what you obtain [in the end]. And they do not want to give birth to Frankenstein.[21]

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[20] Interview in Burssels, 14 February 2003.
[21] Interview with an official from the European Commission, 21 October 2003.

Moving beyond lobbying for individual benefits is advantageous because it ensure a good working relationship with the Commission. In the US, the logic is similar. Studying service trade lobbying by large US financial companies, Yoffie and Bergenstein (1985) suggest, for example, that American Express built "political capital" by "developing an issue which had broad political appeal and fit into the agendas of key politicians" even though the significance of the issue for American Express' business operations was not certain.

2.3. *Mutual dependence*

The relationships that form over time can turn out to be quite stable. An American business representative explains.

> When I started [in 1992] it was more formal. We scheduled appointments to go see the government. Now we just talk. There has been less face to face and more e-mailing.[22]

A government representative confirms, "it is a quite close knit telecom community in Washington, so we know who handles which issues."[23] In some cases, business representatives will continue to keep up their political contacts, even though they are not really interested in the current stakes. A European business representative qualifies "I don't really work on WTO affairs, I only participate in [the European association's] working group. We just try to follow what is going on."[24] Somehow, they feel, this political activity can pay off, even if their premier interests lie elsewhere. A Spanish business representative explains:

> In a way, the WTO was a very welcome way to seize this opportunity more fully. But the main initiative was investment, not our political representation. In business, you first try to open up new markets and then you start thinking about politics. For us, the

[22] Interview with a US telecom provider, Washington, D.C., 24 June 2003.
[23] Interview, Washington, D.C., 18 June 2003.
[24] Telephone interview on 22 October 2003.

> WTO was an opportunity to assure that what we have put in place would continue in the adequate political framework.[25]

In other words, political activity in the government-created forums can at times be quite low. A European association working on the WTO even describes itself as “a night train: there was a locomotive, some work cars and many sleeping cars.”[26] Still, business-government relations continue to hold because they are mutually beneficial for both sides: governments have access to technical information needed for multilateral talks and businesses have access to the policy process, which is highly valuable once they find that they need to express their opinion on a topic. A business representative explains: “we always try to be in unison with our government. It is never useful not to be in unison with our government.”[27]

As these close business-government relationship became more common, expectations in emerging countries rose that equally tight cooperation could emerge, but they were sometimes frustrated. The necessity of an ongoing expertise on new negotiation topics has encouraged multinational firms operating in Brazil to produce their own expertise not to be left behind, hence contributing to a wider dissemination of WTO related themes. These firms would resort to an extensive network throughout the world where they would get the information where available and pass it on to their local branches. In developing countries, maintaining such an interaction resulted of frustrated attempts to obtain input on the side of government on previous trade negotiations.[28] In many countries, however, business and government started cooperating regularily in order to keep up with the often extensive delegations from such countries as the US or the EU.

[25] Telephone interview, 5 November 2003.
[26] Interview in Brussels, 3 September 2003.
[27] Interview with a European airline representative, 18 November 2002.
[28] Business representatives of textile and steel sectors in Brazil acknowledged that they were left outside negotiations for the constitution of MERCOSUR during the 1990.

As these examples show, first, uncertainty is high in business-government relations on trade policy issues that go beyond multilateral tariff negotiations. Uncertainty, in turn, implies that business representatives depend much more on their government counterparts than one would expect from the literature on pressure groups (Grossman 2003). Second, government representatives are not simply the object of industry pressure; they actively solicit cooperation with business actors in order to obtain valuable technical expertise needed for the multilateral negotiations. This solicitation, in turn, comes with a new set of selection criteria of business partners. Firms no longer need to lobby harder than their competitors; they need to signal more successfully that there are credible and reliable partners for government consultation. Third, the mutual dependence of business and government in the context of trade negotiations leads to often quite stable types of working relationships that are more appropriately labeled "symbiosis" or "national cooperation" (Lassalle de Salins 2004) rather than pressure lobbying.

3. Business-government relations: between pressure to cooperation

How then should be understand business-government relations on multilateral trade? In the context of tariff negotiations, lobbying was generally presented as dichotomized. Firms or industry representatives exert pressure on politicians in order to "capture" the outcome of negotiations. Lobbying in trade policy became equated with "rent-seeking" and gave a bad reputation to business involvement in politics and trade policy in general (Stigler 1971; Buchanan/Tollison/Tullock 1980; Magee/Brock/Young 1989). While early industry lobbying was generally assumed to be protectionist, scholar later specified when and why we should also see lobbying for liberalization (Milner 1988b; Milner/Yoffie 1989; see Alt/Frieden/Gilligan/Rodrik/ Rogowski 1996).

In contrast, research on lobbying strategies in the field of business administration and international business has long moved away from this dichotomy (see Rugman/Verbeke 1990; Dunning 1997). According to business-centered studies, the stakes in international trade negotiations are foreign investment and market access relevant to the strategic positioning of firms. This corresponds to the propositions of Yoffie (1993) and Cowhey and Aronson (1993). When multilateral trade negotiations are about the formulation of specific targeted rules that define market access and operation, business lobbying changes. One the one hand, firms have to affect the details of the rules in question, which requires closer cooperation than just pressuring for a general outcome of talks. On the other hand, governments need to negotiate the internationalization of domestic regulations, which requires knowledge about the constraints weighing on a particular market. Since trade negotiations aim at facilitating the operation of business, firms become privileged sources of information for government delegations. Expertise thus proves to be an important resource for lobbyists trying to gain access to international trade talks (Radaelli 1995; Saurugger 2002).

The transformation of multilateral trade negotiations has important consequences for the political activities of business actors, because it affects their political opportunity structure. By political opportunity structure, we mean the configuration of resources, formal and informal institutional arrangements and historical precedents that facilitate or constrain the access of non-governmental actors to the policy process (Kitschelt 1986: 18). The growing importance of regulatory affairs in international trade has profoundly changed the informal procedures and interactions between stakeholders. For simple decision like tariff reductions, economic interest groups can offer their financial or electoral support in exchange for decisions in their favor.

This is no longer the case when regulation becomes a mean for governments to tie their hands as shows the case of emerging countries like Brazil, or South Africa. Current and most-widely used trade policy instruments rely increasingly on highly formalized procedures of the WTO: this evolution represents a sharp contrast with previous negotiations on tariffs, where demands could be easily formulated and did not require such elaborate procedures. Anti-dumping investigations can lead to highly codified retaliations, and launching such procedures became increasingly costly in terms of credibility and expertise to business lobbyists. An interesting counter-example of this trend can be found in the difficulties that certain accessing countries have in implementing the WTO agenda: in Russia a rather obscure lobby opportunity structure, big rent-seeking industrial groups will resist trade liberalization on grounds of protectionism, but also because they apprehend the costs of an increased transparency of the process (Hoekman/Kostecki 2001; Peregudov 1999).

Faced with regulatory stakes, the exchange between business and government is therefore based on technical expertise and legitimacy. This shift in resources is accompanied by a shift in constraints on lobbying success. Pressure lobbying is constrained political competition (Stigler 1972; Becker 1983): many groups try to influence policy-makers and have to win against each other in order to be heard. Regulatory lobbying rests on government solicitation for expertise, so the criteria for success or failure are different. Firms have to prove to the government that they are valuable partners, which requires expertise credibility, reputation, and constructive cooperation (Broscheid/Coen 2003; Coen 2005: 377). Since government delegations can shop around for business partners, they will privilege those that are perceived to facilitate the consultation process (Willman/Coen/Currie/Sinner 2003).

The following table summarizes the two different types of business-government relations on international trade.

Table 1: Two types of business-government relations

	traditional business-government relations on trade	**business-government relations on regulatory trade issues**
goal of multilateral negotiations	opening/closing of domestic markets to foreign goods	internationalization of regulatory regimes in order to facilitate trade and trans-border operations
typical means for achieving goal	tariffs or non-tariff barriers	regulatory reform or creation of international regulatory standards
stake for economic actors	demands for or against market-opening	participating in the elaboration of targeted rules specifying how to liberalize
lobbying mode	exerting pressure, consultation	consultation, cooperation
principal resource	political support (financial or electoral)	technical expertise
principal constraint	competition between groups	dependence on government solicitation; complexity and uncertainty

Like most classifications, the table only highlights the ideal types of business-government relations on trade issues. In many contexts, we will find hybrid forms. This seems to be particularly true in the case of emerging countries, where both types of relations co-exist, partly because of higher stakes in tariffs in not so widely liberalized economies. Some firms and economic actors might even use both means simultaneously, although a reliance on pressure can harm working relations in the long run. The central point we would like to make is simply that the transformation of multilateral trade negotiations that have been observed by many authors has important consequences for the types of business-government relations that can develop.

While we refer to the traditional type as pressure lobbying and to the newer type as regulatory relations, we would like to underline that both types of business activities should be considered as lobbying, i.e. the attempt by private actors to influence the decision of political actors in their favor (for further discussion, see Baumgartner/Leech 1998: 33-36). In the pursuit of their interests, firms nonetheless behave differently under pressure lobbying and regulatory lobbying. In regulatory contexts, firms are highly aware that their access to the decision-makers depends on being selected as a policy partner. They therefore have to signal that they are constructive consultants that can help increase the legitimacy of governmental decisions. This is done most effectively if firms are perceived to be not just self-interested, but if they propose general solutions. As Broscheid and Coen (2003) have demonstrated, lobbyists therefore have to strike a delicate balance between arguing for their immediate interest and making more general 'public interest' arguments that will gain them access to the policy-process.

These observations help us to specify several hypotheses about when we should expect what kind of behavior in the context of multilateral trade negotiations. We have seen that an understanding of the stakes and a capacity to evaluate the pay-offs of negotiations is crucial to trade policy lobbying, which leads us to the first set of hypotheses:

1. When stakes are clear, firms are more likely to try and exert pressure on their government representatives. Inversely, when stakes are difficult to evaluate, firms prefer to enter into consultation.

Government solicitation furthermore plays an important role and varies depending on the issue that is negotiated multilaterally. Our second set of hypotheses therefore points to the way in which the degree of solicitation is connected to the resources business actors can employ for their lobbying efforts:

> 2. Solicitation is most likely when trade negotiations require technical expertise. When governments do not need to obtain technical expertise from firms, lobbying will rely more heavily on financial and electoral support and possibly public opinion.

Our third set of hypotheses connects the constraints in the two different settings with the most likely lobbying behavior:

> 3. When the policy process ensures through formal procedures that all stakes-holder can participate, competition between groups will lead to more aggressive lobbying styles. Inversely, when access depends on the informal selection of business representatives by their respective governments, firms are more likely to enter into constructive cooperation.

However, as Naurin (2004) has shown, this last hypothesis does not always hold true. In cases where lobbying is delegated from firms to a business association (or even from firms to a relatively autonomous in-house lobbying department), lobbyists will be careful not make too many concessions to governments if the principals can monitor their entire work efforts. Under highly transparent procedures, lobbyists will continue to promote their immediate self-interests even if this implies less access in order not to anger the members of the business associations or their superiors.

> 4. Accepting a trade-off between lobbying for one's immediate interest and lobbying for a public solution in order to gain access is most likely when transparency is low, however this assumption does not hold true in cases of pervasive rent-seeking relations. Inversely, under high

transparency, aggressive self-interested lobbying might occur, even when governments have certain discretion over the selection of their business partners.

These four sets of hypotheses remain to be tested and articulated more systematically. They are merely suggested in order to clarify our observations and to move beyond a distinction of two fixed types of lobbying behavior. By specifying four hypotheses about the origins and components of our two types, we hope to indicate that the two might evolve or mixed when the basis on which they rest changes.

Conclusion

This paper was motivated by our frustration with theoretical models of business-government relations in the context of multilateral trade negotiations. While empirical studies agree on a variety of lobbying methods and motivations, theoretical accounts of trade policy quite often rely on the simplified models that postulate business pressure for open or closed markets only (cf. Frieden/Martin 2002: 126). These models, however, rely on an outdated conception of the stakes of international trade negotiations. We have therefore attempted to bring together recent insights about the nature of multilateral trade talks with an analysis of business-government relations.

By pointing out that regulatory stakes create different kinds of business-government interactions, we want to caution against hasty conclusions about the power and influence of firms in international trade. When firms are solicited partners of governmental trade delegations, they do not necessarily wield the same influence as they do under successful pressure lobbying. Observing an increase in business participating on trade issues therefore does not need to imply that firms controls multilateral trade talks (Wallach/Sforza 1999) or that protectionism is “on the rise” (Schabbel/Wolter 2004).

On the contrary, the shift towards regulatory negotiations means that businesses have to master a much greater amount of details in order to “capture” a government’s decision, and working on so many details at the same time can even be a risk for them. In some cases, firms are not even sure of the real effect of the detail they have just influenced and prefer to only engage moderately in on-going talks in order “not to give rise to Frankenstein”, as we have seen.

It is true that some firms can have considerable weight on the trade policy process. Others, in turn, might only marginally participate or not have an impact at all, despite their regular consultation with the government delegation that negotiates. By distinguishing between business-government relations on tariff negotiations and regulatory issues, we are not trying to suggest that the newer one has entirely replaced old forms of lobbying on trade policy. We simply call for a more nuanced treatment of business-government relations in trade policy analyses that considers the effects of different multilateral stakes on business demands and lobbying behavior

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