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The State between Internal and External Pressure:

Exploring the Impact of Power Structures at Different Levels of Analysis on State Preference Formation with Regard to Foreign Policy

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Introduction and overview

It is commonly acknowledged that in order to understand the behaviour of states in international relations, we need to take both the structure of the international system and the domestic environment of states into account: Janus looks both ways. Important as this acknowledgement may be, the field of international relations still lacks a sufficient body of theoretical research on the interaction between the external and internal environments, and preference-formation in particular is still a neglected field of research in the study of Foreign Policy. Although neo-realists and neo-institutionalists admit that we need to link domestic politics with international relations and foreign policy analysts focusing on domestic politics acknowledge the importance of the international system in explaining foreign policy, both strands of literature do not seem to genuinely communicate and each follows its own stream in trying to explain state action; the former emphasizing external determinants of state action and the latter emphasizing internal (domestic) determinants of state action. In this paper, we aim at exploring the conditions influencing the relative impact of the internal (domestic) and external (international) environment on the formulation of state-preferences on foreign policy. We seek to arrive at hypotheses on the conditions under which states will give precedence to either the incentives arising from the domestic environment or to the incentives arising from the international environment, when forming their preferences on foreign policy.

In this paper, we will combine international and domestic explanations of state preferences. We are guided by a three-dimensional view on a state's internal interests (interests of the government in the domestic system) and its external interests (interests of the state in the international system), incorporating political, economic and ideological aspects. Two variables are of central importance: the structure of the international system (polarity) on the one hand, and the structure of the domestic system (state-society relations) on the other hand. The effects these two power structures from different levels of analysis are likely to have on state preference formation on foreign policy will be theoretically explored. We will argue that different combinations of these two structural power relations amplify and modify external and internal constraints differently. On the basis of the two structural variables expectations can be arrived at regarding the relative impact of the internal and external environment on state preferences. The theoretical model arrived at will be used to analyse preference-formation in Germany on the liberalization of trade in agricultural products during the Uruguay Round of GATT-negotiations.

In Section 1 we will start by providing a short overview of the relevant IR literature and the policy field of empirical research will be introduced. Section two focuses on the basis assumptions underlying this research paper and elaborates on the three dimensions of a state's interest. The focus of Section 3 is the internal environment. We will explore the consequences of the internal polarity for the relative impact of the internal and external environment on preference-formation and elaborate on internal process variables influencing the process of preference-formation. In Section 4 the role of external polarity and external process variables in preference-formation will be discussed. Finally, Section 5 will apply the theoretical model developed in sections 2-4 to German preference-formation on the agricultural aspect of the Uruguay Round between 1990 and 1993.

1. State of the art/relevant IB theory and introduction of the policy field

Current approaches in political science which 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, neglecting 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 which focuses on domestic politics (for an overview see Haney *et al* 1995) emphasize internal variables like public opinion, domestic institutions and interest group pressure as factors explaining a state's foreign policy preferences and behaviour. The systemic factors emphasized by neo-realists and neo-institutionalists do not suffice to account for all state actions, as they admit themselves. At the same time, foreign policy explanations solely focusing on domestic politics also run into trouble when confronted with empirical reality. This does not imply that all these approaches may be discarded, but it indicates that we need to take account of both systemic factors and domestic politics in order to explain state preferences.

There are a number of approaches which, either explicitly or implicitly, focus on the interaction between the internal and the external environment. A first example is Putnam's *two-*

level games (Putnam 1988). However, these *two-level* games aim at explaining negotiations and its outcomes and not at explaining the process of national preference-formation which takes place before the actual international negotiations. Secondly, neoclassical realists should be mentioned here. Neoclassical realists argue that world leaders can be constrained by both international and domestic politics. The incentives and pressures arising from the international system, according to them, are 'are translated through unit-level intervening variables such as decision-maker's perceptions' (Rose 1998, 152). So, ultimately they treat systemic incentives as the independent variable and internal factors as intervening variables. Although this already is a great step forward from neo-realism, we would argue that both external variables and internal variables should be treated as independent variables in explaining foreign policy preferences. The question then becomes under which conditions either internal or external factors are likely to weigh more heavily in the process of preference-formation.

There is one approach which implicitly answers this question 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 placed 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 presumption is that a government in a state with a society-centered structure will be more easily influenced by societal actors than a government in a state with a more state-dominated structure. The latter is to a larger degree insulated from societal pressure and can hence take more account of considerations induced by the external environment. However, this approach seems to lack explanatory power when confronted with certain empirical observations: and that is the 'puzzle' that instigated this research project. Many authors on European governance observe that agricultural organizations both in France and in Germany are able to dominate the national positions in the European 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 that agricultural groups

¹ In Section 3, I will provide indicators on the basis of which state-society relations may be defined.

both in Germany and in France dominated the decision-making concerning their state's negotiating position with respect to negotiations on trade in agricultural products in the European and international context do not correspond with the theoretical expectations based on the *domestic* structure approach. This approach cannot explain the similarity in outcome (dominance of the internal environment) in both France and Germany, since the domestic structures of these countries are assumed to be dissimilar². Clearly, domestic structure, although a good 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. Nevertheless, it may be used as a starting point to which external structure and process variables can be added, as will be done in section 3 and 4.

The lack of current theoretical approaches to take into account the simultaneous importance of the external and internal environment and the interaction between the two in order to explain national preference formation is very unfortunate, especially if one wants to explain state preferences concerning issues with both important internal and external dimensions. The subject of our research project – preference formation in France and Germany on the mandate for the European Commission in GATT-negotiations on agricultural trade liberalization - concerns an issue area *par excellence* (the field of external agricultural trade) in which both external and internal dimensions are potentially of great importance. On the one hand, 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 can 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 both a state's internal and its external environment. France and Germany are extremely interesting cases for investigating the relative impact of internal and external pressure on state preferences. Whereas great-power states are relatively less constrained by the external structure and small-power states are regarded not important enough for other

² State-society relations are generally considered to be society-dominated in Germany and state-dominated in France (e.g. Katzenstein 1978: 323-234; Risse-Kappen, 1991: 492, 504; Krasner, 1978: 58, Mastanduno *et al* 1989: 470; Skidmore 1993; 207; Zysman 1977: 852; Müller and Risse-Kappen 1993: 34; Van der Vleuten 2001: 87).

states to worry about their behaviour, increasing the likeliness that both will be able to base their preferences on internal considerations, middle-power states (like France and Germany) are neither powerful enough to resist the constraints of the international system nor weak enough to be left alone by others. As a result, it is most undecided in middle-power states whether the external or internal incentives will weigh most heavily in the process of preference-formation within these states, which makes them most interesting for investigation.

2. Basic assumptions and State interests

2.1. Assumptions

We take the State as the *central actor* in this study. This choice corresponds with our research aim, which is to gain an understanding of the process of national preference formation on foreign (trade) policy. When it comes to decision-making within the GATT, only states can actually decide whether or not to reach a certain agreement. Within the hierarchical domestic system, the government has a privileged position, which provides it with a central role when it comes to aggregating domestic preferences. We assume that eventually the State will consider and balance its internal and external interests and decide on the national preference that will be defended in the international arena. We further 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.

2.2. State interests

We assume that the interest of the State³ is to *survive*. As a consequence the preference ordering of behavioural alternatives depends on the expected effects of the different behavioural alternatives on the survival of the State, which defines the utility attached to these alternatives. We distinguish between three dimensions within the interest of survival: a political, economic and ideological dimension (see also Van der Vleuten 2001, 50; and Bull 1977, 1995ed, p 63).

³ In the rest of this paper, I distinguish between the State as an actor in the international system and the State as an actor in the domestic system. The former will be referred to as 'state', and the latter will be referred to as 'government'. The term State is reserved for the state as a mental construct: the State who has to weigh its external (state) interests and its internal (governmental) interests in the process of preference-formation.

Furthermore, a distinction can be made between the external and the internal interests of the State, or between the interests of the state in the international system (State's external interests) and the interests of the government in the domestic system (State's internal interest). An overview of these different dimensions of a State's internal and external interests is provided in table 1.

Table 1: Dimension of the interests in survival of state and government

| EXTERNAL | INTERNAL |
|---|--|
| <p><u>Political material interest</u> Defending the power position of the state and preventing vulnerability of the state to other states.</p> <p><u>Political immaterial interest or reputational interest</u> Defending the state's credibility and its reputation.</p> | <p><u>Political material interest</u> Remaining in office (re-election) and defending the government's position in relation to society.</p> <p><u>Political immaterial interest</u> Defending the government's credibility and reputation.</p> |
| <p><u>Economic interest</u> Striving for protectionism in non-competitive sectors and liberalization in competitive sectors + maintaining a viable international trading system.</p> | <p><u>Economic interest</u> Maximizing national economic indicators: state budget, BNP, employment etc.</p> |
| <p><u>Ideological interest</u> Playing the 'role' the state wishes to play in the international system (e.g. <i>vocation exportatrice</i>).</p> | <p><u>Ideological interest</u> Defending principled beliefs and policy paradigm (instruments and policies).</p> |
| ↓ | ↓ |
| Aimed at defending the relative power position of the state in the international system | Aimed at defending the position of the government and its ideology |

In the process of preference-formation, various behavioural options are considered on the basis of the different dimensions of the State's interests. In terms of these interests, behavioural options can have three sorts of effects for each of these interests: 1. neutral/no effect; 2. positive effects; 3. negative effects. In the first case, there are no consequences for preference formation. In the second case, the behavioural option would provide benefits in the sense that it contributes to the dimension of the State interest in question. In the third case, the behavioural option would

confront the State with costs in the sense that it is detrimental to the dimension of the State interest in question. For example, a behavioural option would be politically costly for the government when it is an option against which important societal groups mobilize their pressure. The option would be internally economically costly if it may be expected to result in increased unemployment. The government is then likely to decide against this specific behavioural option. The consideration of the effects of different behavioural options for the State's interests and the ordering of behavioural options in which these considerations results, is actually the process of preference-formation.⁴ This also implies that when the costs and benefits attached to different behavioural options change, preferences will change as well. Sections 3 and 4 will elaborate on internal/domestic factors and external/international factors respectively, which can lead to a change in the costs and benefits attached to different behavioural options and therefore to a change in preferences.

The different dimensions of interests can be mutually supportive, but they may also be contradictory, both within one column and between the external and internal columns. With respect to a state's interest, the political dimension may be regarded prior to the economic and ideological dimension, because political (and military) security is a prerequisite for a state to be able to strive for economic and ideological goals. Therefore, in relation to preferences on trade policy, I assume that a state aims at maximizing economic benefits (by striving for the maintenance of protection in non-competitive sectors and for trade liberalization in competitive sectors)⁵ as long as this does not compromise its political material interest.

Domestically, the government's political interest may be considered dominant, assuming that the government, first of all, strives for reelection. The government can therefore be expected to have relatively short time-horizons. However, in situations where the government can be

⁴ In appendix 1 we provide an elaboration on and operationalisations of the different dimensions of state and governmental interests. These operationalisations are used in the analysis of the case study: Germany 1990-1993 (section 5).

⁵ On the basis of trade theory, it could be argued that it would be in a state's economic interest to strive for free trade in all sectors, for that would provide most economic benefits (for producers, consumers and taxpayers) for all states in the very long run. However, this would only work provided that states want to and are able to adapt themselves to the new total free-trade situation, and if cheating could be prohibited. Since these criteria are not likely to be met, for political reasons, it is justifiable to assume that a state's economic interest lies in maximizing economic benefits and that this can be achieved through striving for protection in non-competitive sectors and for trade liberalization in competitive sectors. Even within the GATT trade regime in which states share the goal of trade liberalization, trade negotiations ultimately deal with dividing the 'profit-pie' of liberalization. The international trading system itself may be a collective good, but the benefits from (free) trade can be considered to be worth fighting over. (See also Conybeare (1984, 8-9) who argues that the benefits from free trade are largely excludable, and the consumptions of some benefits from trade (e.g. maximizing exports) are subject to rivalry.)

expected to be less constrained by its political interest – e.g. due to low societal mobilization or a strong structural power position of the government in relation to society⁶ - the government is most likely to base its preferences on its ideological interest, for this would lead to policy options in line with its principled beliefs, policy paradigm and government programme. The government's short time-horizon and the importance it attaches to reelection, combined with the fact that the process of preference-formation is eventually a domestic policy-process, increases the likelihood that domestic considerations will generally precede over external considerations in the process of preference-formation. Therefore, in Section 3, we will first turn to internal structural and process variables which affect preference-formation. Nevertheless, since we believe (as argued above) that external considerations must also be regarded of importance – especially in the area of trade liberalization – we will also focus on external structure and process variables which can influence preference formation. This will be the subject of Section 4.

3. The domestic environment: internal polarity and the process of preference-formation

We assume that the State is the central actor in the process of preference formation, and ultimately decides on the national preference that will be defended in the international arena. In the process of preference-formation these preferences are formed by considering the effects (costs and benefits) of policy options for the different State interests. The following section will focus on internal or domestic factors influencing the national preference formation. First, the effects of the structural variable of internal polarity on preference-formation (e.g. on the degree to which either internal or external considerations are likely to weigh more heavily) will be explored. Secondly, we will focus on process variables which, in the process of preference formation, may intervene between the expectations based on the structural variable and the actual outcome.

3.1. Internal polarity⁷

⁶ State-society relations and mobilization will be elaborated in Section 3.

⁷ A number of authors argue that another structural variable, the degree of state intervention, influences the degree to which the government is susceptible to societal constraints (e.g. Nordlinger 1981, 21; Lieshout 1995, 193-195).

The structural variable of internal polarity refers to the division of power (structural power relations) between government and society⁸; the higher this polarity, the more these power relations are in the advantage of the government. The higher the structural capability of the government is to impose its will on other domestic actors (or to follow its preferences against the will of these domestic actors) the higher is the internal polarity (Van der Vleuten 2001, 39). In terms of the different governmental interests, this implies that the government is less politically constrained in the process of preference formation and is likely to attach more weight to its economic and ideological interests. Moreover, due to the large room of manoeuvre for the government internally, the State is also likely to be better able to take account of its external interests in the process of preference- formation. The weight a state attaches to its external interests is therefore likely to increase with higher internal polarity. I use three institutional factors to estimate the structural power relations between government and society (internal polarity)⁹: 1. The degree to which governmental power is centralized; 2. Power relations between government and parliament; 3. The system of interest representation. I will now discuss each separately.

A. The degree to which governmental power is centralized.

Essentially, this is about the question whether power is centralized at the top, or, in contrast, dispersed, indicating the degree to which the central government can take autonomous action.¹⁰ The sharing of power or competencies results in a great dispersal of decision sites and makes states highly permeable to domestic groups (Nordlinger 1981, 183; Rogowski 1999, 133). The degree to which decision making power is centralized within the central government is also of importance, for decentralization of power within the government leads to more access points within the government (government leaders and ministries) for societal actors who wish to

However, state intervention particularly influences the degree to which societal mobilization can be expected: the extent to which mobilization is likely to produce political costs and, in effect, constrains the government, depends on the internal polarity of the state (van der Vleuten 2001, 37).

⁸ With the term 'society', I refer not only to societal groups, but also to the parliament and political parties.

⁹ It is common usage to use the term 'state'-society relations, but I will use the term 'government'-society relations in order to use the distinction I made between state and government consequently.

¹⁰ 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, Rogin and Stephen 1993, 728).

influence national preferences.¹¹ 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 the government - *veto-positions* or *veto-points* in the words of Schmidt (1996, 386) – which negatively affects the power of the government over society.

B. Executive-legislative relations

Executive-legislative relations may be characterized either by executive dominance¹², or by an executive-legislative balance¹³. The former leads to a higher polarity and the latter to a lower 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.

C. Method of interest representation

The degree to which interest representation is institutionalized indicates the degree to which societal groups are formally provided with a role in decision making. Indicators of the degree of institutionalism are the institutionalized input in the policy process through formal access and seats in commissions; the legal recognition of privileged groups; and the number of groups with privileged access. The degree of institutionalization may be low (indicating a *pluralist* method of interest representation), intermediate (indicating a *structured pluralist/weak corporatist* method

¹¹ The degree to which decision-making power is centralized within the central government can also be related to the role bureaucratic politics is likely to play in the process of preference formation. As decision-making power on a particular issue is shared between more departments/ministers (decentralization), bureaucratic politics (in the sense of strife between departments which each have their own interests) is likely to play a larger role in the process of preference formation.

¹² 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).

¹³ Minority governments and coalition governments lead to an executive-legislative balance.

of interest representation, and high (indicating a *corporatist* method of interest intermediation). A higher degree of institutionalization of interest representation may be associated with a lower polarity. The power relations between government and groups are more advantageous to groups in 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).

Taking together the ‘scores’ of a state on these indicators we can establish whether the internal polarity in a particular state is low (society-dominated domestic structure), intermediate (government-society balance) or high (government-dominated domestic structure).¹⁴ As already stated above, internal polarity has consequences for the process of national preference formation. When polarity is low, the government’s structural position in relation to society is weak and the State therefore has to take societal preferences into account when deciding on the preference to be defended in the international system. Moreover, under low internal polarity, power relations are instable from the viewpoint of the government. The government is therefore likely to attach relatively more weight to its short term interests as a result of which the governmental political interest will be considered of relatively more importance than the governmental economic and ideological interests in the process of preference formation. Finally, since low internal polarity indicates heavy internal political constraints on the government, the State is less likely to be able to take account of its external interests in the process of preference formation.

Hypothesis 1: *The lower the internal polarity, the more weight a State is likely to attach to its internal interests (especially the political interest) and the less likely the State is to be able to take account of its external interests in the process of preference-formation.*

¹⁴ A non-institutional factor which also influences the structural power relations between government and society (internal polarity), is the degree of governmental and societal *unity*. Situations in which the government is more united than society, contribute to the structural power of the government in relation to society, and thus to a higher internal polarity. Alternatively, situations in which society is more united than the government, contribute to the structural power of society in relation to the government, and thus to a lower internal polarity.

Hypothesis 2: *The higher the internal polarity, the less weight a State is likely to attach to its internal political interest relative to its internal economic and ideological interest and the more likely the State is to be able to take account of its external interests in the process of preference-formation.*

3.2. The process of preference formation

The internal structure of the state provides information on the *structural* power relations between government and society and therefore about the government's general *ability* to act contrary to societal demands, or about the general *ability* of society to influence their government. In case of a high internal polarity, society can be expected to need to exert much more pressure in order to influence the government than in case of low polarity.¹⁵ The internal structure, however, does not determine the behaviour of government or society; it only enables and constrains.¹⁶ A number of factors arising in the *process* of preference formation are of importance as well, because they may intervene between the expectations purely based on the internal structure and the actual outcome of the process of preference-formation. In the remainder of this section we will first focus on a number of variables which are particularly related to the chances of influence of societal actors in the process of preference-formation. Secondly, we will turn to the question how changes in State preferences can be explained by (changes in) internal variables.

3.2.1. Mobilization, group resources and governmental sensitivity

The factors of mobilization, resources and governmental sensitivity can be related to the internal political costs and benefits attached to different behavioural options in the process of preference-formation. Mobilization is both a prerequisite for societal influence and a variable of which an increase in intensity is likely to result in an increase in the production of internal political costs and benefits for the government, enhancing societal influence. A certain amount of issue salience is required in order for societal actors to mobilize in favour of or against a certain policy proposal. The policy proposal must affect them either because it provides huge benefits or because it would induce high costs for them (Milner 1997, 63). As long as societal mobilization

¹⁵ 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'.

¹⁶ 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 political 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).

is *unidirectional*, increased mobilization may be expected to lead to an increase in societal influence. However, once mobilization becomes *multidirectional*, indicating lack of *unity* on the part of society, this may be expected to be detrimental to the influence of society in the process of preference-formation, because disunity on the part of society increases the government's room for manoeuvre.¹⁷

The more resources a group has at its disposal the more likely this group will be able to mobilize and influence the process of preference-formation by effectively producing internal political costs and benefits. These resources may be financial means, degree of membership and privileged access to governmental institutions (Van der Vleuten 2001, 53). Also, foreign support may be regarded as a resource for societal groups which is likely to increase the effectiveness of their mobilization. Foreign support can for example take the form of material or ideological resources foreign states or groups may provide for the domestic group. Further, foreign groups or states can also provide foreign support by exerting similar pressure as the domestic societal group, resulting in the 'sandwiching' of the State.

When the government is more *sensitive*, it will attach greater importance to its internal political interests and is thereby likely to be more easily influenced by societal pressure in the process of preference-formation. 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).

Hypothesis 3: *The internal political costs and benefits society is able to confront the government with in the process of preference-formation, is likely to increase with rising levels of mobilization and societal resources.*

Hypothesis 4: *As the sensitivity of the government increases, the State is more likely to take account of its internal political interests in the process of preference-formation.*

3.2.2. How to explain changes in preferences on the basis of internal variables

As we already stated earlier, preference-formation means that the State considers the consequences (cost and benefits) of various behavioural options for its interests and orders the

¹⁷ Societal pressure especially tends to become multidirectional when an issue becomes politicized, by which we mean that it becomes salient to more groups, including groups from outside the issue area which may have different interest.

behavioural options accordingly. This implies that preferences are likely to change when the costs and benefits attached to the different behavioural options change. As a result, a change in any variable that influences costs and benefits may cause a change in preferences. Changes in the variables elaborated above – internal polarity, mobilization (intensity and direction), resources, and governmental sensitivity – may therefore cause a change in State preferences by their effect on the internal political costs and benefits attached to different policy options. For example, if societal pressure (mobilization) at $t=0$ was directed against trade liberalization in the agricultural area and in favour of safeguarding the income of farmers, but at $t=1$ societal pressure is mainly in favour of trade liberalization (possibly at the cost of farm interests), then the high internal political costs attached to trade liberalization at $t=0$ make place for high internal political benefits for trade liberalization at $t=1$, which (*ceteris paribus*) is likely to result in a change in State preferences. Of course, a change in the direction of mobilization may especially be expected to result in a change in State preferences when internal polarity is low.

Apart from the variables mentioned in section 3.2.1. a number of other variables need to be mentioned: the government's policy paradigm or goals and the balance of preferences within the government. Changes in these variables can also result in changes in State preferences. The government's policy paradigm or goals are the basis on which different policy options are evaluated. If the government regards export subsidies as an important policy instrument, then a policy proposal which would imply a prohibition of these subsidies would be ideologically costly. The government is then likely not to prefer this policy proposal. However, if the government's policy paradigm or goals were to change in the sense that export subsidies are no longer a preferred method of intervention, then the government may be expected to prefer the policy proposal, which is now not ideologically costly anymore. Clearly, a change in the government's policy paradigm or goals can lead to a change in preferences because it changes the costs and benefits attached to different policy options. A change in the government's policy paradigm or goals is most likely to be caused by a change in (the composition of) government (e.g. after elections or ministerial reshuffles) or by a change in the power relations within the government. Also, changes in the economic situation (stagnation, recession) can lead to a change in governmental priorities and goals. Safeguarding employment may then be regarded more important than safeguarding the income of farmers for example.

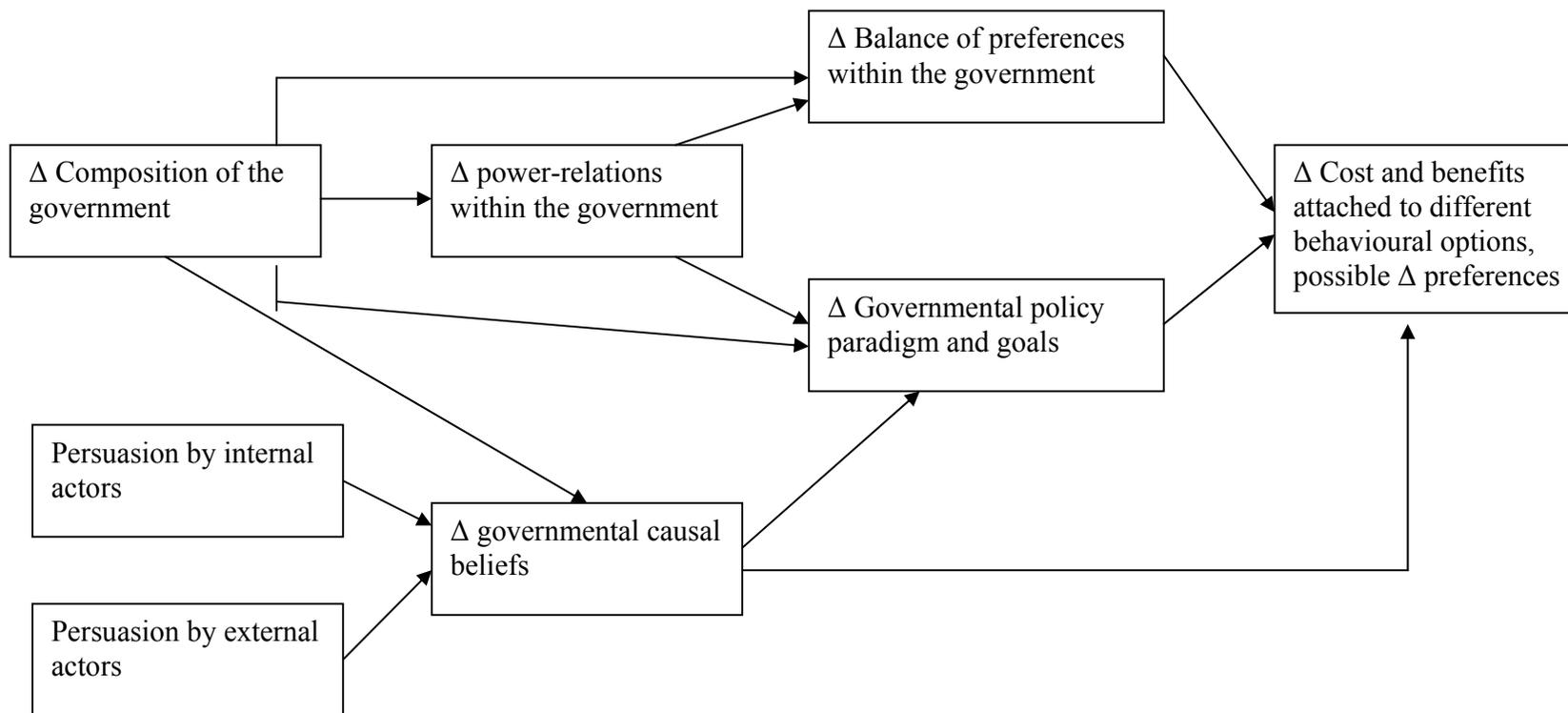
The balance of preferences within the government is also of importance in the process of preference-formation. Assuming that the government is the central actor within the domestic environment who considers its own preferences in relation to the preferences of other actors in deciding on the national preference that will be fought for in the international arena, clearly the governmental preferences themselves are of importance in the process of preference-formation. The government consists of a government-leader and a number of ministers, who do not always agree on what the best policy option would be. A number of ministers may be in favour of trade liberalization in all sectors, whereas other ministers would advocate protection in specific sectors. The difference in opinion can be explained by the fact that different ministers have different interests: the Foreign Affairs minister wishes to secure good relations with other states; the Economics minister advocates trade liberalization; and the Agriculture minister wants to protect its clientele – the farmers – and is therefore more likely to oppose trade liberalization. The difference of opinion within the government is especially likely to have important consequences when the division of power within the cabinet is decentralized, implying that more ministers are involved in the same issue area. Under these circumstances *bureaucratic politics*¹⁸ is likely to play a great role in the process of preference formation. When the preferences of various ministers differ, this may then result in internal bureaucratic fights before a decision is taken on the national stance in the international arena. If most of the (powerful) ministers advocate protection in the specific issue area of agricultural trade, then this is the preference that is likely to be defended in the international arena as the balance of preferences tends towards protectionism. Changes in this balance of preferences may then lead to changes in the preferences which are defended in the international arena. This begs the question of what causes the balance of preferences within the government to change. Changes in the composition of the government or changes in the power relations within the government (which could be an effect of the change in the composition of the government) are most likely to be the cause of a change in the balance of preferences within the government. Further, a change in the balance may also be caused by one or more ministers changing their preference on the issue at hand.

Finally, a change in the government's *causal beliefs* – the relationship the government believes to exist between certain means and ends (cause-effect relations)– may also lead to a

¹⁸ For more information on Bureaucratic Politics see Allison's classical work *Essence of Decision: Explaining the Cuban missile crisis*.

change in the cost and benefits attached to the different behavioural options, which may result in a change in preferences. To give an example, the government could at $t=0$ believe that export subsidies provide increased income for national producers and therefore use export subsidies as a central element of its trade policy. If the government were to alter this causal belief at $t=1$ in the sense that it no longer believes that export subsidies support the income of national producers, but that they mainly provide benefits for the importing countries, then the benefits which had been attached to the policy of export subsidies at $t=0$ are not attached to it anymore at $t=1$. The government can then be expected to prefer other trade instruments over export subsidies. Here we see the potential link between changes in causal beliefs and a change in the government's policy paradigm and goals. This still leaves us with the question of how these changes in causal beliefs or cause-effect relations can be explained. First of all, the changes could be the effect of a change in the composition of the government. However, the government may also have been convinced by other actors, either internal actors like societal groups or external actors like foreign states or groups, that the cause-effect relation it believed to exist was not correct. These groups could argue their claim by providing the government with relevant information and thereby persuade the government to alter its causal beliefs. Figure 1 gives an overview of the process-variables elaborated above and the relation between these variables.

Figure 1: Internal variables affecting the process of preference formation: changes in these may lead to changes in preferences



4. The international environment: external polarity and the process of preference-formation/ external process variables

4.1. External Polarity

The structure of the international system ‘constrains and enables’ (Waltz 1979, 74). It constrains the range of options available to a state and the costs and benefits attached to different behavioural options. It therefore influences the calculation of national preferences. Two structural characteristics are of importance here: the principle by which the system is ordered and the polarity of the system (distribution of capabilities).

In contrast with the hierarchical ordering of the domestic system, anarchy is the principle by which the international system is ordered. This means that the international system of states lacks a central authority 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 leads to the conclusion that a state *has to take care of its own survival* (see Waltz 1979, 107). The more capabilities (political, economic and ideological) a state possesses, the better it can be expected to be able to ensure its survival, as these capabilities ‘permit a state to induce changes it desires in the behaviour of other states or to resist what it views as undesirable changes in its own behaviour sought by others’ (Grieco 1990, 93). This also means that states cannot afford not to worry about their relative power position (which is based on their relative capabilities): states are interested in safeguarding or increasing their power position, because it enhances their chances of survival in the international system.¹⁹ Trade liberalization may affect the relative power position of states. Economic gains from trade liberalization are, in general, not distributed equally: international trade agreements affect the economic resources of various states differently and thereby may affect the relative power positions of states (Gowa 1989, 1243; Grieco 1990).

Where internal polarity indicated the power-relations between government and society in the domestic system, external polarity is about the power-relations between states in the

¹⁹ Neo-realists and neo-institutionalists debate on the degree to which the state’s interest to safeguard its power position leads to a sensitivity to gaps in gains and therefore induces states to strive for relative gains instead of absolute gains (Grieco 1988, 1990, 1993; Keohane 1993). A search for relative gains would imply that a state would only prefer trade liberalization if it expects to gain more from liberalization than its trading partners. We believe that states may indeed be sensitive to gaps in gains, but we will argue that this sensitivity is not a constant, and depends on the interaction capacity (see section 4.2.1.).

international system. These power relations are based on the division of capabilities (e.g. national income, military power, demographic characteristics). Polarity refers to the degree to which power is concentrated within the states system. Polarity increases as the capabilities in a system are distributed more unequally (Lieshout 1999a, 18). On the basis of the distribution of capabilities, one can distinguish between *multipolar*, *bipolar*, and *unipolar* systems, all within an anarchic system. The polarity of the international system impacts on the national preference formation of States through its relation to the stability of the international system.²⁰

Bipolar systems are more stable than multipolar systems. As Waltz, for example, argues: the virtue of the 'inequality of states' is that it 'makes peace and stability possible' (Waltz 1979, 132). In bipolar systems, both superpowers have their own sphere of influence they want to protect against the influence of the other superpower. The two superpowers provide a check on each other's behaviour, discouraging behaviour that would be likely to bring them into conflict with each other and which could lead to their mutual destruction. This internal balancing reduces the chances of arbitrary behaviour on the side of the superpowers and makes their behaviour more predictable, reducing uncertainty in the international system. Moreover, if conflicts arise between states, they are likely to be limited in extent and duration, and intervention of one of the superpowers is likely to end the conflict. As a result, a bipolar system (and the position of states within this system) is relatively stable. Multipolar systems, in which capabilities are divided more equally, are relatively unstable. A multipolar system is likely to be characterized by shifting alliances and lack of a superpower which is able to intervene in and end conflicts on its own. Moreover, as the system now lacks the internal balancing between superpowers, the behaviour of the greater powers within a multipolar system is less predictable and the system less stable.

The effects of variation in this stability on preference-formation on foreign policy are two-fold. First, it is likely to affect the relative importance a state attaches to its political, economic and ideological interests. As the stability of the international system increases, the discounting of future gains in the calculation of national preferences decreases. In other words,

²⁰ In the remainder of this paper the focus will be on bipolar and multipolar systems and on middle-sized powers, because the empirical part of this research project focuses on preference formation in France and Germany (middle-sized powers) during the Uruguay Round (1986-1993: bipolarity up to 1990 and multipolarity between 1990 and 1993). In the beginning of the 1990s it was unclear whether the international system was unipolar, with the US as hegemon, or multipolar. Even in 1999, authors still contributed to the discussion on the future of the state system and the likelihood of a unipolar or multipolar system to arise (see for example Hout en Lieshout, 1999). Since it was most of all a period of uncertainty, we feel that multipolarity would be the best way to classify the system between 1990 and 1993.

long term benefits are valued higher in a stable system than in an instable system. A relatively stable system is therefore likely to increase the value a state attaches to its economic and ideological interests (which are more long-term than its political interests). Secondly, variation in the stability of the international system affects the weight a State is likely to attach to its external interests and the State's ability to take account of its internal interests in the process of preference-formation. In an uncertain and instable external environment, a state is more constrained than in a stable external environment. Its position in an instable system is more uncertain, as a consequence of which the state is more concerned about its relative position. The probability then increases that the State will give precedence to its external interests and that the State is less likely to be able to pay attention to domestic politics and its internal interest.

Hypothesis 5: The lower the external polarity (= the more instable the international system and the less secure the position of a state in this system) the more weight a State is likely to attach to its external interests (especially the political interests) and the less the state is likely to take account of its internal interests in the process of preference-formation.

Hypothesis 6: The higher the external polarity (= the more stable the international system and the more secure the position of a state in the system) the less constrained a State is likely to be by the external environment and the more a State is likely to be able to take account of its internal interests in the process of preference-formation.

4.2. External process variables and preference-formation

A number of external process variables are of importance, because they may intervene between the expectations purely based on the external structure and the actual outcome of the process of preference-formation. In the remainder of this section we will first focus on the *interaction capacity* of the international system and how it affects preference-formation. Subsequently, a number of variables are treated which are particularly related to the effect of third state pressure (or the pressure of international organizations) in the process of preference-formation. Finally, we will turn to the question how changes in State preferences can be explained by (changes in) external variables.

4.2.1. Interaction capacity

The interaction capacity of the international system 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 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 interaction capacity increases with innovations in technology and with increasing institutional density. International institutions may be defined as ‘related complexes of rules and norms’ ‘identifiable in space and time’ (Keohane 1989, 163; Keohane 1988, 383), and they may, for example, take the form of international organizations and regimes.²¹ Through their principles and rules, these institutions ‘reduce the range of expected behaviour of states’ (Keohane 1984, 97) and thereby reduce uncertainty. As a result, a higher interaction capacity leads to a more stable external environment by making the actions of other states more predictable, thereby reducing uncertainty. By stabilizing the external environment (and thereby the position of states within the system), an increasing interaction capacity may also be expected to reduce the sensitivity to gaps in relative gains.²² The interaction capacity filters the structural imperative of self-help to which relative gains concerns are related. When relative gains concerns for states are likely to decrease, States can be expected to be better able to turn their faces from the external environment to the internal or domestic environment in the process of preference-formation.

Hypothesis 7: The weight States attach to their internal interest relative to their external interests in the process of preference-formation is likely to increase with an increasing interaction capacity.

4.2.2. Mobilization and state vulnerability

²¹ Although regimes and international organizations are both specific forms of institutions, international organizations can undertake a far wider range of activities than regimes, like goal-directed activities such as ‘raising money, promulgating policies, and making discretionary choices’ (Keohane 1988, 384 fn2). A regime may be defined as a ‘complex of rules and organizations, the core elements of which have been negotiated and explicitly agreed upon by states’ (Keohane 1988, 384 fn2; see also Keohane 1980, 132-133). Compared to the definition of Krasner who defines regimes as ‘principles, norms, rules and decision-making procedures around which actor expectations converge in a given issue-area’ (Krasner 1982, 185), Keohane’s definition is more narrow. In his definition, the rules have to be *negotiated* and *explicitly agreed upon* by *states*. Keohane’s definition is more applicable in my research project, in which the international trade regime has an important role to play. The GATT clearly meets Keohane’s demands to classify as a regime.

²² A higher interaction capacity also increases the likeliness that states will specialize, increasing economic interdependence between states, which is also likely to decrease states’ sensitivity to gaps in gains.

As societal groups pressure the government at the domestic level of analysis, foreign states and international organizations may pressure the state at the international level of analysis. Pressure by these actors on state A may for example take the form of voicing their preferences on the issue on which State A is forming its preference or issuing threats which are to be executed when state A fails to take a certain position. Just as in the domestic arena, an increase in the intensity of mobilization in the external arena is likely to result in increasing political costs for the state, enhancing the influence of foreign states.²³ However, not every state is equally likely to influence state A. The *vulnerability* of the state (comparable to the sensitivity of the government in the domestic arena) affects the degree to which state A is likely to be influenced by the pressure of foreign states. Asymmetries in dependence-as-vulnerability²⁴ between states have consequences for the interactions between these states. If state A is more vulnerable to state B than state B is vulnerable to state A²⁵, then State A is likely to anticipate on B's wishes and expected behaviour. This has an impact on the costs and benefits state A attaches to different behavioural options in the process of preference-formation. It is clearly in state A's interest not to upset state B, for the reaction of state B (e.g. retaliation) could seriously damage State A's external political and economic interests. If state A has a high degree of vulnerability to other states, then it is confronted with high external constraints, increasing the likeliness that State A attaches more weight to its external political interest than to its internal interests in the process of preference-formation. Considerations regarding (the pressure of) international organizations are more likely to enter the process of preference-formation as these organizations have provided state A with more benefits in the past. The more benefits the organization has provided state A with in the past, the more important the maintenance of this organization is for state A. When such an

²³ It should be noted that it does not require an actual direct influence attempt for a foreign state to influence state A. State A can also *anticipate* on the expected preferences or actions of a foreign state and order its preferences accordingly. This influence through anticipation is especially likely when state A is highly vulnerable to the foreign state.

²⁴ If state A exports a large part of its products to state B and state A has no alternative export markets if state B were to close its market, then state A is *vulnerable* to state B.

²⁵ With respect to trade issues, the specific position of the state in the international system affects the states vulnerability. Due to their large domestic markets and lower export to production ratio's, great powers are generally less dependent on the international export markets than middle-sized and small powers with smaller domestic markets and higher export to production ratio's (cf. Krasner 1976, 320). As a consequence the behavioural alternative of unilateral protection would be costly for small powers (when other states retaliate), whereas it is less costly to great powers, since they generally have a smaller stake in the trading system and because their predominance in capabilities enables them to impose sanctions on others and to prevail in a potential trade war.

organization pressures state A to take a certain position by invoking organizational norms and rules, then this is likely to affect state A's preferences.

Hypothesis 8: As the vulnerability of a state to other states increases, this state is more likely to attach greater importance to its external political interest in the process of preference-formation.

4.2.3. How to explain changes in preferences on the basis of external variables?

As explained in section 3.2.2., preferences are likely to change when the costs and benefits attached to the different behavioural options change. As a result, a change in any variable that influences costs and benefits may cause a change in preferences. Changes in the variables elaborated above – external polarity (stability), interaction capacity, external mobilization (intensity and direction) and state vulnerability – may therefore cause a change in State preferences by their effect on the external costs and benefits attached to different policy options. Apart from these variables a number of other external variables need to be mentioned, as they may also affect preference-formation on foreign trade policy. Two important external variables are: the situation in/stability of the economic system and the relations with important (trading) partners. Changes in these variables are likely to change the government's goals and priorities²⁶ which in turn affect the costs and benefits attached to different behavioural options, thus influencing preferences. It is thus important to keep in mind that the effect of changes in these external variables operates through its effect on the internal variable of the government's goals and priorities: the process of preference-formation is after all a domestic process. When the economic situation in the international system deteriorates (e.g. recession, turmoil in trade markets), then the importance attached to the maintenance of the multilateral trading system is likely to increase (external economic consideration). Deterioration of the relations with important trading partners (especially when the state is vulnerable to these foreign states) is likely to increase the importance attached to the State's external political interest of improving relations with such partners. Finally, a change in the role the state wishes to play in the international system, which implies a change in the basis on which external ideological costs and benefits of different policy options are determined, may lead to a change in preferences.

²⁶ Note that as soon as governmental priorities and goals enter the analysis, the variables of composition of the government and power-relations within the government (Section 3.2.2.) take on importance again. The same goes for changes in governmental causal beliefs on cause-effect relations regarding external factors.

5. Case: Preferences on agriculture in the Uruguay Round: Germany 1990-1993.

5.1. The place of the case-study within the wider research project

The case: Germany 1990-1993 is one of the four cases which will be analyzed in our research-project. Since most of the empirical material collected so far was related to Germany between 1990 and 1993, we chose to provide a preliminary analysis of that case in this paper. It needs to be noted that on the basis of this single case-study, the hypotheses formulated in Section 3 and 4 cannot be tested, especially those focusing on the relative importance of internal and external considerations in the process of preference formation. The combination of the totality of the four cases will enable us to test these hypotheses properly. Nevertheless, a preliminary analysis of one of the cases will show how a three dimensional view on State interests and how the related variables which we expect to cause changes in preferences may be applied in empirical analysis. Table 2 shows the cases which have been selected on the basis of differentiation on the two structural variables of external polarity and internal polarity.

Table 2: Overview of the case-studies of the larger research-project

| | | <i>Internal Polarity</i> | |
|--------------------------|-------------|---|---|
| | | <i>High</i> | <i>Low</i> |
| <i>External Polarity</i> | <i>High</i> | <p>A</p> <p>Case: France 1982-1990</p> | <p>B</p> <p>Case: Germany²⁷ 1982-1990</p> <p>Expectation: Internal considerations will be decisive</p> |
| | <i>Low</i> | <p>C</p> <p>Case: France 1990-1993</p> <p>Expectation: External considerations will be decisive</p> | <p>D</p> <p>Case: Germany 1990-1993</p> |

²⁷ Germany has a low internal polarity due to its federal state structure (decentralization), its executive-legislative balance and its corporatist structure of interest representation.

In cases A and D, expectations based on either solely the external or solely the internal polarity are contradictory. In case A we would expect that internal considerations will eventually be decisive because the international system is stable and not highly constraining. Moreover, due to the governmental strength in relation to society, we would expect that internal ideological and economic considerations will play the greater role in the process of preference-formation. In Case D, the State is squashed between both external and internal constraints due to the low external and low internal polarity. This makes the case of Germany between 1990 and 1993, to which we will now turn, extremely interesting.²⁸

5.2. Introduction and expectations

Regarding the issue of (agricultural) trade liberalization, Germany was divided between two traditions: a liberal free trade position, especially proponed by the Ministry of Economics; and the position of preserving the economic interests of the German farmers, defended by the Ministry of Agriculture (Landau 1998, 7). The former lobby strived for liberalization of trade in all areas including agriculture, whereas the latter lobby aimed at minimizing the degree of liberalization in the area of agriculture. Between 1990 and 1993, within the framework of decision-making on the European position on agriculture in the Uruguay Round of GATT-negotiations, Germany at some points in time defended the preference of liberalizing trade in agricultural products and at other moments clearly defended farm interests and tried to minimize liberalization in the area of agriculture. Two decision moments can be indicated at which a change in German preferences concerning the agricultural part of the Uruguay Round seems to have occurred. The first moment of change is the cabinet-meeting of the 9th of October 1991. Here the government decided that German priorities lie with the successful conclusion of the Uruguay Round, implying that possible concessions may need to be made in the area of agriculture in order to enable such a successful conclusion of the GATT-negotiations. This decision indicates a break with Germany's staunch defense of the interest of farmers in prior decision-making on the European stance in the Uruguay Round. The second change in German preferences took place in august 1993. At a press-conference concluding a French-German summit, Chancellor Kohl stated that Germany also had problems with the Blair House Accord of

²⁸ The expectations defined in this paragraph are solely based on structural variables: the power-relations between states and the power relations between state and government. We need to keep in mind that process variables may intervene in the expectations based on the structural variables and the actual outcome.

November 1992.²⁹ This indicates a break with the earlier German approval of the Blair House Accord in November 1992.

Based on our argument in Sections 3 and 4 we expect that the changes in preference are likely to be the result of changes in a number of internal and external variables. Internal variables of which the changes are expected to lead to a change in preferences are: intensity and direction of mobilization, sensitivity of the government, composition of the government, and power relations within the government.³⁰ Important external variables are: interaction capacity, intensity and direction of mobilization, vulnerability, economic stability, and relations with important trading partners. The analysis will show to what extent changes in these variables have taken place and if these changes can explain the changes in German preferences.

5.3. The first change: The German cabinet-meeting of 9 November 1991

As stated above, this cabinet-meeting indicates a change in German preferences in the sense that the successful conclusion of the Uruguay Round is now prioritized over protecting the interests of farmers. In order to explain this change in preferences, we need to compare this decision-moment with the previous decision-moment in which Germany still preferred to defend farm interests, which was in the autumn of 1990 when the Council of Ministers had to decide on the mandate for the Commission with regard to the agricultural part of the Uruguay Round. We need to analyze to what extent changes have occurred in the relevant variables in the period between October 1990 and October 1991 which can be expected to have led to changes in preferences.

In 1990 the German government was both confronted with intensive unidirectional societal mobilization (farmers) against liberalizing trade in agricultural products (DBK 11/1990, 432-433; Bulletin 1990, 1322), and with intensive external pressure, mainly exerted by the US, in favour of liberalization. The US pointed out Germany's interests as an export nation and further exerted pressure by proposing a Farm Bill that was likely to negatively effect the EU's trade position and by striving for bilateral agreements and regional cooperation (NAFTA) at the cost of multilateralism (Agence Europe 22.1.1990/10; 10.3.1990/7).³¹ However, governmental

²⁹ This was a deal between the EU and the US on the agricultural part of the Uruguay Round of GATT-negotiations.

³⁰ The latter two are likely to lead to changes in policy paradigms and changes in the balance of preferences within the government, which may eventually result in a change in the national preference.

³¹ Germany attached great importance to multilateralism, whereas the US interest in a multilateral trading system was smaller (which may be explained by the difference in their position in the international system see fn 25): the US 'threat' was therefore credible.

sensitivity was high in this period, because the first all-German elections after unification were to be held in December 1990. Combined with the fact farmers were an important support group of the CDU/CSU/FDP coalition (Weiss 1989, 80-81), approving the mandate proposed by the Commission would be politically costly for the government. Moreover, the economic situation in Germany was thriving, creating no financial incentives for liberalizing trade in agricultural products and cutting back on agricultural support. Finally, the government's causal belief was that the mandate³² proposed by the Commission would negatively affect employment in the agricultural sector and the ideal of the small-scale *bäuerliche Landwirtschaft* (Agence Europe 26.9.1990/7). Altogether, the intensive and unilateral internal mobilization against the Commission proposal combined with the increased sensitivity of the government made the government decide to let its internal political considerations (supported by internal economic and ideological considerations) prevail over its external political considerations, despite the intensive US pressure.³³ At the meetings of the Council of Ministers, Germany staunchly defended the interests of farmers and tried to prevent far-reaching liberalization of agricultural trade (Agence Europe 18/10/1990/5).³⁴

In the end of 1991 the situation had changed in several respects. Internal mobilization was still intensive, but society was no longer united and different groups exerted contradictory pressure. Apart from the farm lobby, the industrial lobby had also started to mobilize, but they exerted pressure on the government to agree to liberalization in the area of agriculture in order to enable a successful conclusion of the Uruguay Round (Landau 1998, 24). Moreover, the government was less sensitive now as no important elections were pending, and polls showed that the government enjoyed high support if elections were to be held and that electoral support would mainly depend on the issue of general employment (Europe Brief Notes: Germany mid-november 1991). This corresponds with the economic stagnation in Germany and the cost of

³² The mandate contained an offer of 30% reduction in the three areas of internal support, external protection and export competition

³³ That the Gulf crisis erupted in the autumn of 1990 may also have affected preference-formation, but its potential effects are mixed. On the one hand, the crisis may have increased the consciousness of states of their interdependence, which could have led to incentives for further cooperation within the GATT. On the other hand, the crisis distracted the attention of Ministers of Foreign Affairs from the Uruguay Round at a result of which Ministers of Agriculture had great leeway, increasing the chances of demands from the farm lobby being met (BMW I Tagesnachrichten 11.1.1991/1-2)

³⁴ One source (*Frankfurter Rundschau*, 7 november 1990) states that Kohl is supposed to have given his negotiators the mandate 'to support the French demands to the hilt'. This seems to indicate that considerations of the Franco-German relationship have played a role in the German preference to defend farm-interests. However, our empirical data are insufficient to warrant such a conclusion.

German reunification which led to a financial crisis. The government now changed its goals and priorities to safeguarding general employment instead of its previous focus on agricultural employment specifically. Furthermore, a change in the composition of the government and in the balance of preferences within the government had taken place. Economics Minister Haussman had been replaced by Mölleman who was a heavy-weight within the liberal FDP and who advocated trade liberalization in the area of agriculture more intensively and radically. In addition Finance Minister Waigel, heavy-weight within the CSU, no longer supported CSU minister of Agriculture Kiechle, but shared Mölleman's stance (Codebericht Buitenlandse Zaken 14/12/1990). The changes in the direction of internal mobilization, the sensitivity of the government, the economic situation and the composition of and balance of preferences within the government (the latter three resulting in a change in governmental goals and priorities) explain the position the government took in its cabinet meeting of 9 October 1991. This decision seems to have been effective. At a meeting of the Council of Ministers, shortly after the cabinet-decision, Mölleman stated that the coalition between France, Germany and Ireland would no longer inhibit an agreement between the EU and the VS (Vahl 1997, 160.³⁵ The effect of the decision is also noticeable in December 1991 when GATT Secretary-General, Arthur Dunkel, presents his Draft Final Act. Although Germany does not favour the agricultural part of this draft, it no longer staunchly defends farm interests in the discussion in the Council of Ministers on whether or not to accept the Draft as a basis for negotiations (Agence Europa 23/24.12.1991). Germany leaves the defense of farm interests to the French delegation and even agrees to take the Draft as a basis for negotiations at the Council meeting of 10 January 1992.

5.4. The second change: Kohl's statements with regard to the Blair House Accord

The German priority of successfully concluding the Uruguay Round instead of defending particularistic farm interests apparently still holds in November 1992 when Germany accepts the Blair House Accord, a bilateral deal between the EU and the US on the agricultural part of the Uruguay Round. Between October 1991 and November 1992 the pressure of domestic industrial groups had increased, and it was important for the government to pacify these groups because its

³⁵ However, it must be noted that Kiechle defends a different position both nationally and in the international arena (which may be explained by the fact that power is dispersed within the German government which increases the role of bureaucratic politics, and is likely to be detrimental to the intensity and capacity with which Germany is able to defend a position in the international arena as it engenders contradictions in positions taken by different officials). Kiechle even argues that flexibilizing the position on agriculture would negatively affect Franco-German relations.

relations with employers and employees had worsened in the beginning of 1992 (Patterson 1997, 156). Furthermore, the economic situation in Germany had further deteriorated. The government was worried about the economic conjuncture as it was confronted with a budget deficit and with an economic slowdown (Webber 1999, 54). Reaching an agreement in the Uruguay Round was now more economically important than ever (Patterson 1997, 160). Also, the government seemed to have come to the belief that a successful conclusion of the Uruguay Round was impossible without European concessions on agriculture. In 1992, the pressure of the US also increased again. They threatened with sanctions in June and December and the vice-president stated that there was 'an inevitable link between economic and military security' (Financial Times 10.2.1992).³⁶ At the same time, however, France increased its pressure on Germany not to accept the Blair House Accord; the French government would fall if the EU were to approve of Blair House (Financial Times, 12 November 1992). A final change that needs to be mentioned is a change in the balance of preferences within the government. Kiechle himself now advised Chancellor Kohl to accept the Blair House Accord and not to follow the French demand to oppose the Accord, because French farm interests differed from German farm interests. In addition, this change in preference on the part of Kiechle can also be explained by the fact that due to the agreement on CAP-reform, reached in May 1992, the *status quo* had changed. Germany had already agreed to agricultural reforms within Europe, which were costly for German agriculture. As long as a GATT-deal remained within the limits of the CAP-reform, which the government believed that the Blair House Accord did, the GATT-deal would not confront Germany with additional costs.

Overall, the fact that the balance of internal mobilization tended more and more towards liberalization, the further deteriorating economic situation, and the change in the balance of governmental preferences can explain that the German government decided to prefer liberalization in the area of agriculture and to approve the Blair House Accord. External mobilization was clearly contradictory with the US increasing its pressure on the EU to do concessions in the area of agriculture, whereas France pressured Germany not to accept the Blair House Accord. Although Germany attached great importance to preserve the Franco-German relationship, the internal political and economic interests which would be served by reaching a

³⁶ This 'threat' was made by Dan Quale in Februari 1992. He argued that if the GATT-talks failed, it would fuel protectionism and encourage those wanting to pull troops out of NATO.

successful conclusion of the Uruguay Round and the difference in interests of German and French agriculture seem to have made the government decide not to follow the French line, but to accept the Blair House Accord. *Der Spiegel* notes that Kohl had apparently authorized the liberal Economics Minister to oppose the French position for the first time (No 47, 16 November 1992, 154).

The German preference in favour of accepting the Blair House Accord seems to have changed when Chancellor Kohl states, after a Franco-German summit in August 1993, that Germany also has problems with the Accord. This statement came to the unpleasant surprise of German Ministers, except for the Agriculture Minister. This apparent change in preference begs the question of whether it can be explained by changes in the variables which are considered of importance in our theoretical model. No major changes had taken place in the internal mobilization between November 1992 and August 1993: there was still contradictory pressure from farmers and industry, with the balance tending toward pressure for liberalization. The composition of the government did change in January 1993: Kiechle was replaced by Borchert and Mölleman by Rexrodt. Borchert was less out-spoken and less known than Kiechle which was likely to negatively affect the position of the Ministry of Agriculture within the cabinet. In this respect, Paeman and Bench note that Borchert was no match for the FDP ministers Kinkel (Foreign Affairs) and Rexrodt (Economics) (Paeman and Bench 1995, 239-240). As the position of the Agriculture Minister had already weakened under Kiechle, it is questionable whether this change in composition of the government had great consequences. Nevertheless, if it had consequences, then the expectation would be that Germany would (perhaps even more strongly) keep taking a liberal position, whereas Kohl's statement can be regarded as a preference for minimizing liberalization in the agricultural sector. The expectations based on the change in the composition of the government are therefore contradictory with the preference Kohl voiced in August 1993. Another variable in which a change took place was the external mobilization. The direct pressure of the US decreased as the US government was now mostly engaged getting government policy through Congress (e.g. the NAFTA agreement) (Paeman and Bench 1995, 241). France, however, increased its pressure on Germany to support France in its demand of renegotiation of the Blair House Accord. Furthermore, the international economic situation changed due to a financial-monetary crisis within the EMS (European Monetary System).

Exactly these last two changes in external pressure and economic situation are often used by authors to explain the German change in preferences. Allegedly, Kohl was convinced that the French government would indeed fall if the Blair House Accord was not changed and that the French government might use its veto in order to prevent a governmental crisis (Webber 1998a, 52, Webber 1998b 584). If the French government were to fall, this would only increase the problems in the GATT-negotiations and it might jeopardize the process of European integration, to which Germany attached great importance. Next to the requirement of concessions in the area of agriculture in order to reach a successful conclusion of the Uruguay Round, an additional requirement now seemed to be, at least in the eyes of Kohl, conceding to the French who might otherwise block progress in the Uruguay Round even more. This explains the mandate Kohl gave to his negotiators in September 1993 to first of all aim at a successful conclusion of the Uruguay Round, but to concede to French demands as much as possible as long as this would not jeopardize the Uruguay Round. The monetary crisis in the EMS is also supposed to have played an important role in the German change in preferences (Paeman and Bench 1995, 239-240). Germany wanted to obtain additional support measures from the European Union in relation to this monetary crisis, and it needed the support of France to succeed. Allegedly, France would support these proposals if Germany would support France in its demand of the renegotiation of Blair House. Although these factors may indeed explain Kohl's statement that Germany also had problems with the Blair House Accord, it is still puzzling that he made this statement at a time that the balance of preferences within the government was clearly in favour of accepting the Blair House Accord as it stood.³⁷ The conclusion that the external (French) pressure was decisive would – on the basis of the empirical material we have gathered so far, be too simple. Clearly, the personal preferences of Chancellor Kohl and his role and position within the government would deserve further attention if we want to explain the change in German preferences in August 1993.

At the Jumbo Council meeting of 20 September 1993, in which the issue of renegotiation of Blair House is discussed, the German delegation under the direction of FDP Foreign Affairs Minister Kinkel takes a stand against the French demands of renegotiations. Borchert does not agree, but he is overshadowed by Kinkel and Rexrodt. When the French decide to ask for 'clarification' instead of renegotiation, the German delegation swings behind France and supports

³⁷ Borchert was the only minister who was sympathetic to the French demands, for he feared that if France could not get concessions in the GATT-deal in relation to export subsidies, this would only lead to increased exports of French cereals to Germany.

their demands. Kohl's personal envoy in Council meeting, Ludewig, is supposed to have played a great role in establishing this shift (Webber 1998b, 587). On the one hand, Germany's plain rejection of the French demand of renegotiation could be taken as an indication that Kohl's shift in August had been short-lived or even a 'mistake' made in the heat of the Franco-German summit. On the other hand, we can speak of continuity in the sense that Germany is willing to concede to the French demands as long as this is not expected to jeopardize the successful conclusion of the Uruguay Round. Moreover, the fact that Kohl is supposed to have influenced the German swing during the Council meeting underscores the need to investigate his role within the government more thoroughly.

5.5 Conclusions

With regard to the first change in German preferences in October 1991 we may conclude that this change can be explained by changes in the variables which were expected to be of importance in our model. However, thus far we have not actually applied external variables like the interaction capacity and state vulnerability in our analysis. On the one hand, this can be explained by the available empirical data used and the fact that these factors are not mentioned in secondary literature. On the other hand, it also makes us aware that we need to think more thoroughly on operationalizations of interaction capacity and vulnerability and on their concretely expected effects. With respect to the second change in German preferences it is less clear if our model provides a convincing explanation. External considerations seem to have been decisive³⁸, but it remains puzzling that - in spite of internal mobilization and the balance in governmental preferences in favour of the Blair House Accord - Kohl decided to state that Germany also had problems with Blair House. Finally, it is striking that where the German preference for defending farm interests until the end of 1990 was clearly instigated by internal pressure of agricultural groups, decisions to defend farm interests from 1991 onwards seem to have been instigated not by internal pressure from farmers anymore, but by external pressure from France. The general belief that German farm groups have been very influential in German decision making on agriculture in the Uruguay Round therefore has to be reconsidered.

³⁸ Which is in line with the expectation that under low external polarity external interests will be of greater importance in the process of preference-formation.

Appendix 1: Dimensions and operationalisations of Germany's interests

| EXTERNAL | INTERNAL |
|---|--|
| <p><u>Political material interest</u></p> <p>Defending the power position of the state and preventing vulnerability of the state to other states.</p> <p><u>Considerations for preference formation</u></p> <ul style="list-style-type: none"> - Consequences of the policy options for the relationship with important (trading) partners: German-French, German-EU, German-VS and EU-VS relations. - Consequences of the policy options for peaceful/stable interactions between states in the international system: preventing (trade) wars. - Consequences of the policy options for the position of the GATT multilateral trade regime and the EU, the membership to which has been very beneficial for the (German) state in the past.. | <p><u>Political material interest</u></p> <p>Remaining in office (reelection) and defending the government's position in relation to society.</p> <p><u>Considerations for preference formation</u></p> <ul style="list-style-type: none"> - Consequences of policy options for degree of support of the farm-community, industry and employees for the government. - Consequences of policy options for the chances of reelection. - Consequences of policy options for the political stability inside the state: preventing mass demonstrations and societal disobedience. |
| <p><u>Pol. immaterial (reputational) interest</u></p> <p>Defending the state's credibility and reputation</p> <p><u>Considerations for preference formation:</u></p> <ul style="list-style-type: none"> - Consequences of policy options for the ability of the state to keep (agricultural) trade-related promises and execute threats it has made in the context of GATT, G7, OECD or bilaterally. | <p><u>Pol. Immaterial (reputational) interest</u></p> <p>Defending the government's credibility and reputation</p> <p><u>Considerations for preference formation:</u></p> <ul style="list-style-type: none"> - Consequences of policy options for the ability of the government to keep (agricultural) trade-related promises and execute threats it made in the national arena: promises of improved export opportunities and promises of a minimum amount of protection. |
| <p><u>Economic interest</u></p> <p>Maximizing gains from production and trade by striving for protectionism in non-competitive sectors and liberalization in competitive sectors + maintaining a viable international trading system</p> <p><u>Considerations for preference formation:</u></p> <ul style="list-style-type: none"> - Consequences of a policy option for the degree of liberalization in the non-competitive sector of agriculture and the competitive sector of industry. - Consequences of a policy option for the state's and the EU's trade balance - Consequences of a policy option for a state's and the EU's comparative | <p><u>Economic interest</u></p> <p>Maximizing national economic indicators.</p> <p><u>Considerations for preference formation:</u></p> <ul style="list-style-type: none"> - Consequences of a policy option for the Gross National Product. - Consequences of a policy options for employment. - Consequences of policy options for the state budget. |

| | |
|--|---|
| <p>competitiveness</p> <ul style="list-style-type: none"> - Consequences of a policy option for the maintenance of a viable (GATT) trading system providing stability in the international economy. | |
| <p><u>Ideological interest</u></p> <p>Playing the ideological ‘role’ the state wishes to play in the international system.</p> <p><u>Considerations for preference formation:</u></p> <ul style="list-style-type: none"> - Degree to which policy option is compatible with and enables the state to play the role the state assigns itself in the international system. E.g. for Germany: Germany as an industrial trading nation; a strong Germany within a strong EU; the Franco-German ‘conciliation’. | <p><u>Ideological interest</u></p> <p>Defending the state’s principled beliefs and policy paradigm (instruments and policies).</p> <p><u>Considerations for preference formation:</u></p> <ul style="list-style-type: none"> - Degree to which policy options are compatible with a state’s principles in the area of agricultural trade. E.g. for Germany: Leistungsprinzip; Bauerliche Landwirtschaft; Agriculture cannot be compared to industry and is entitled to a minimum degree of protection. - Degree to which policy options are compatible with the state’s instruments and policies in the area of agricultural trade. E.g. for Germany: stabilizing markets and prices by production cuts. |

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