
LITHUANIA'S NATIONAL INTERESTS IN THE FORMATION OF THE EU COMMON COMMERCIAL POLICY

Antanas Venckus*

Abstract

This article pays major attention to the substantiation and identification of Lithuania's national interests in the formation of the EU common commercial policy, and an analysis of the EU institutional trade policy formation system is carried out. Furthermore, special attention is paid to the analysis of Lithuania's foreign trade policy organisation, with a view to establishing what opportunities are provided not only to state institutions, but also to business and consumer organisations to present their interests and participate in the process of formation of stances on foreign trade policy.

Finally, the article presents some theoretical considerations on Lithuania's trade policy-related interests and objectives in the near future. The article concludes by Lithuania's current foreign trade policy analysis and evaluation of the compliance of the policy with the country's national interests.

Introduction

Due to its size in terms of economy, trade, and finance, the European Union occupies an important position in the global system: the EU is gradually becoming the main power forming global events. The EU implements policies of the following two types in relation to the rest of the world: economic policy through trade agreements and development; foreign and security policy by means of the Common Foreign and Security Policy (CFSP), as well as the European Security and Defence Policy (ESDP).¹

The EU is the world's largest trader, which, thanks to its Common Commercial Policy (CCP), realises its economic potential on the global arena much bet-

* **Antanas Venckus** is a PhD candidate at the School of Political Science and Diplomacy of Kaunas Vytautas Magnus University. E-mail: a.venckus@pmdi.vdu.lt.

¹ Hix S., *Europos Sąjungos politinė sistema (Political System of the European Union)*, Vilnius: Eugrimas, 2006, p. 432.

ter than it does in the political or security sectors. By using its economic power, the EU promotes global free trade by taking an active part in the activities of the World Trade Organisation (WTO) and defending the legitimacy of its norms.

However, regardless of the fact that the CCP is considered as one of the most successful policies being implemented by the EU, its formation is a fairly difficult and complex process, which sometimes lacks transparency. As discussed further on in this article, though formation of the trade policy is in the competence of the EU (the supranational level), EU Member States exert considerable influence not only of the formation of the CCP objectives, but also of implementation of the policy. Although they might agree on the overall principles of the trade policy (such as further liberalisation of the global trade policy), each state participates in the process of formation of the CCP based on its own interests and implementing its own set objective implementation agenda.

Having become a member of the EU in 2004, Lithuania has transferred its competence of the foreign trade sector to the European Commission; however, just as other EU Member States, it can attempt to defend its own interests in the process of formation of the CCP, although, often competing with the other 27 Member States.

Globalisation processes are becoming more active and competitive pressures (which are often unfair) on the part of the growing Asian and South American countries are increasing, which negatively impacts the sensitive industrial sectors, influences other industrial sectors, and gives rise to competition. Therefore, it's clear that in the process of formation of the CCP Lithuania seeks decisions which would support the competitiveness of Lithuanian companies on the international level, prevent one-sided or uneven opening of the EU market and trade liberalisation, and eradicate unfair competition.

Thus, the main objective of this article is two-fold: to identify and evaluate Lithuania's national interests defended in the process of development of the EU's foreign trade policy and to analyse the formal opportunities to realise the aforementioned interests. With a view to achieving the latter objective, a comprehensive analysis of the EU CCP institutional structure will be undertaken, by identifying the formal (and other) opportunities of the EU institutions, Member States and the general public, as well as the influence exerted by the aforementioned actors in the process of definition of the CCP goals.

In the process of identification of Lithuania's national interests, a detailed analysis of the structure of Lithuanian national economic and foreign trade policy organisation in the context of EU-related issues will be undertaken. This will be done in order to clarify the structure of organisation of Lithuania's trade policy and to establish what kind of interests are represented and why or what institutions participate in the process of formation of the overall position concerning trade policy issues.

Finally, as will be demonstrated later in the article, when forming the EU's foreign trade policy, EU Member States try to achieve certain strategic goals determined by both geopolitical objectives and national economic priorities or other priorities dependant on the unique concept of the state's national interests. Therefore, the last section of the article presents an identification and analysis of Lithuania's national interests that are determined by the national economic structure and represented in the process of formation of the CCP, and a presentation of Lithuania's foreign trade policy.

The article concludes with a summary of the conducted research and a synthesis of Lithuania's objectives, interests, and challenges as it participates in the CCP.

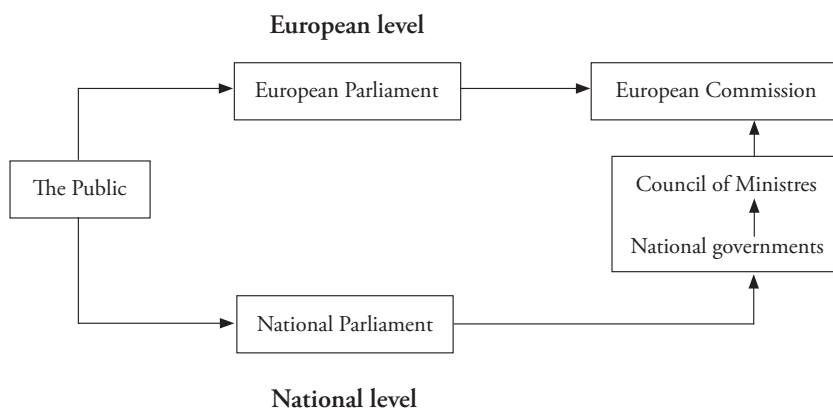
1. The process and institutional structure of the EU Common Commercial Policy formation

Upon Lithuania's accession to the EU in 2004, the right to form and implement the foreign trade policy was transferred to the EU authorities. The EU's Common Commercial Policy (CCP) is formed in a unified manner for all Member States, which means that any and all issues in connection with foreign trade are considered in a centralised manner taking into account the positions of Member States.

Thus, the EU's foreign trade policy is a truly complex process involving the EU people, parliaments and governments of the Member States, as well as the key institutions of the EU – the Council, the European Parliament (EP), the European Commission (EC), and the Court of Justice (CJ). According to M. Shawn Reichert and Bernadette M. E. Jungblut, EU's foreign trade policy is a

multi-level management system with overlapping jurisdiction and numerous access points for public interests, seeking to influence the external trade policy.² Diagram 1 below shows the chain of delegation of powers in the process of formation of the CCP:³

Diagram 1. **Chain of Delegation in the EU External Trade Policy**



The diagram reflects delegation of powers in the process of CCP formation and “Principal-Agent” relations. As we can see, five main types of power delegation-related relations covering both national and European levels are distinguished in the process of formation of the CCP. The following types of relations are distinguished on the national level: a) Member State’s public (the principal) and Member State’s parliament (the agent); b) Member State’s parliament (the principal) and Member State’s government (the agent). The national and European levels intertwine in the relation c) Member State’s public (the principal) and the European Parliament (the agent). The other two types of relations are distinguished on the European level: d) Member State’s government/EU Coun-

² Reichert M. S., Jungblut B. M. E., “European Union External Trade Policy: Multilevel Principal-Agent Relationships.” *The Policy Studies Journal*, Malden: Blackwell Publishing, Vol. 35, No. 3, 2007, pp. 395–418.

³ *Ibid.*, p. 396.

cil (the principal) and the European Commission (the agent) the European Parliament (the principal) and the European Commission (the agent).

Upon establishment of the main relations involved in power delegation, we must emphasise that they are not equally influential and determining in the process of formation of the CCP, which is emphasised especially often when talking about participation of the public in this process. However, when considering the important (and sometimes determining) role of national institutions in the formation of the CCP and the pressure exerted on them by various national interest groups (business, consumer, environmental, etc.), we can state that trade policy is a fairly politicised sector, in which certain personal interests are defended not only by certain EU Member State, but also by public groups, which rely on available national and European level channels .

The opportunities and involvement of Lithuanian national interest groups in the formation of Lithuania's overall position concerning the CCP will be discussed later in this article; however, we will now discuss in brief the role and competence of key EU institutions in the process of formation of the CCP.

As already mentioned, all key EU institutions have a certain role in the process of formation of the CCP, yet it goes without saying that the European Commission and Council have the biggest responsibility for the CCP, as defined in the Treaty of Rome. The European Parliament also has certain authority in the formation of the trade policy, yet its authority is considerably smaller and more restricted in nature (although recently some trends have appeared, which may lead to an increase of the role of the European Parliament in the process of formation of the CCP).

Thus, paragraph 1 of article 113 of the Treaty of Rome (1957) (the consolidated version of the Treaty Establishing the European Community will be quoted hereinafter, in which the aforementioned article is numbered as article 133) states as follows:

1. The common commercial policy shall be based on uniform principles, particularly in regard to changes in tariff rates, the conclusion of tariff and trade agreements, the achievement of uniformity in measures of liberalisation, export policy and measures to protect trade such as those to be taken in the event of dumping or subsidies.⁴

⁴ Consolidated version of the Treaty Establishing the European Community, <<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2006:321E:0001:0331:LT:pdf>>, August 1, 2008.

It should be mentioned though that the roles of the European Commission, Council and European Parliament differ depending on what kind of treaties, concerning trade policies, are negotiated (trade agreements, trade and economic cooperation agreements, or association agreements).

Pursuant to the provisions of paragraphs 2, 3, and 4 of article 133, trade agreements must be concluded in accordance with the following procedure:

2. The Commission shall submit proposals to the Council for implementing the common commercial policy.
3. Where agreements with one or more States or international organisations need to be negotiated, the Commission shall make recommendations to the Council, which shall authorise the Commission to open the necessary negotiations. The Council and the Commission shall be responsible for ensuring that the agreements negotiated are compatible with internal Community policies and rules.

The Commission shall conduct these negotiations in consultation with a special committee appointed by the Council to assist the Commission in this task and within the framework of such directives as the Council may issue to it. The Commission shall report regularly to the special committee on the progress of negotiations.

The relevant provisions of Article 300 shall apply.

4. In exercising the powers conferred upon it by this Article, the Council shall act by a qualified majority.⁵

As we can see, in article 133, powers are delegated to the European Commission and Council, without any obligations for them to carry out any formal consultations with the European Parliament. Paragraph 3 of article 300 shows that the Council is not obligated to consult the European Parliament when concluding trade agreements:

3. The Council comes to agreements after consulting the European Parliament, except for the agreements referred to in Article 133(3), including

⁵ Consolidated version of the Treaty Establishing the European Community, <<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2006:321E:0001:0331:IT:pdf>>, August 1, 2008.

cases when the agreement covers a field for which the procedure referred to in Article 251 [common decision procedure – *the author's note*] or that referred to in Article 252 [cooperation procedure – *the author's note*] is required for the adoption of internal rules. The European Parliament delivers its opinion within a time limit which the Council may lay down according to the urgency of the matter. In the absence of an opinion within that time limit, the Council may take action by its own.

Moving from the previous subparagraph, agreements referred to in Article 310, or other agreements establishing a specific institutional framework by organising cooperation procedures, or agreements having important budgetary implications for the Community, and agreements entailing amendment of an act adopted under the procedure referred to in Article 251 are concluded after the assent of the European Parliament has been obtained.⁶

Thus, in accordance with the CCP decision-making procedure, the Commission has the competence to initiate legal acts; furthermore, it is responsible for the procedure of implementation of the CCP. The Commission negotiates on all of the EU's external trade agreements on behalf of the Council and also has the right to adopt the relevant executive decrees concerning imposition of anti-dumping measures, levelling fees and other import restrictions, which the Council must review after a set period.⁷

The Council, in turn, is the main body passing legal acts. It adopts decisions by the qualified majority, granting the negotiation mandate to the Commission or approving the negotiated agreements (except any association agreements, which must receive unanimous approval). The Council also approves the Commission's legal act-related initiatives and controls the Commission's activity via COREPER (provided for in Article 133), which is called "Article 133 Committee" and comprises high-ranking national trade officials.

Finally, the European Parliament doesn't have any official role in the process of passing legal acts in the field of the CCP. However, pursuant to the aforementioned Article 300, the European Parliament's approval is necessary when pass-

⁶ Ibid.

⁷ Hix S., *Europos Sąjungos politinė sistema (Political System of the European Union)*, Vilnius: Eugrimas, 2006, p. 441.

ing other trade policy-related agreements or when other EU legal acts, which were adopted in accordance with the common decision procedure, must be amended as a result of adopting new agreements. Furthermore, the Committee on External Economic Relations of the European Parliament gives answers to the questions submitted by the Commission officials, receives regular reports from the Commission and the Council, and passes resolutions expressing the European Parliament's position on trade-related issues.⁸

2. Representation of Lithuania's interests in the process of formation of the CCP

In order to analyse representation of Lithuania's national interests in the process of formation of the CCP, the powers and opportunities of the CCP institutional structure enabling a Member State to influence the process of formation of this policy must be clarified.

Diagram 1 discussed previously in this article reflects the formal (institutional) delegation of powers in the process of formation of the CCP. However, it should be emphasised that the powers delegated to the EU institutions from the national level basically represent national interests of a Member State, which in turn are dependant on private and public interest balance.

The EU is a multinational political system, and its process-related structure was deliberately modelled in such a manner to assure its adaptability to a maximum of national priorities, cultures, styles, and traditions.⁹ However, next to the rather clearly institutionalised system of national interest representation, in political process of the EU (including formation and implementation of the CCP) there is a system for representation of transnational interests, which comprises of European-level interest groups made up of national group associations.

When talking about the policy initiation stage, we already mentioned that the Commission has a formal legislative initiative monopoly in most areas of the EU policy, the CCP included. However, when accepting proposals regarding any initiated policies, the Commission always cooperates with the official

⁸ *Ibid.*, p. 441.

⁹ *Ibid.*, p. 266.

representatives of nation states. All this mainly takes place in various working groups, comprising Member States representatives, which are administering the relevant policy-related issues. However, as S. Hix notes, national administrators also include internal interest group representatives so that the latter could represent their views in policy-related processes.¹⁰ As a result of all this, is a continuous process of negotiations between the Commission, governmental, and non-governmental interest advocates.

The activity of European-level (transnational) interest groups, although not determining, often influences the decisions taken in the field of the CCP. The best organised and most influential in the field of formation of trade policy are organisations such as the Confederation of European Business (BusinessEurope, formerly known as UNICE), the Association of European Chambers of Commerce and Industry (EUROCHAMBERS), and the European Round Table of Industrialists (ERT). According to C. Gerlach, the main challenge faced by the aforementioned organisations is to find a common stance between members representing a number of different states and sectors.¹¹ The views presented to the Commission by the aforementioned organisations can strengthen the positions of certain Member States, if their interests coincide: compared to the delegated national experts, European-level association experts often are able to gain a deeper insight in the issues being considered.

Nevertheless, we should acknowledge that the unity of European-level interests disappears (mostly due to the aforementioned difficulties), and national interest groups are bound to realise their objectives by cooperating with national governments and officials involved in the policy formation process. This means that business associations often attempt to realise their interests together with national interests of the state, advocated in the institutionalised CCP formation process.

This is also confirmed in the article written by J. Vilčinskis and D. Vijeikis,¹² who, among other things, analyse the inclusion of organised Lithuanian interest groups in the European policy formation, carried out by Lithuania, and the

¹⁰ Ibid., p. 266.

¹¹ Gerlach C., "Does Business Really Run EU Trade Policy? Observations about EU Trade Policy Lobbying." *POLITICS*, Political Studies Association, 2006, Vol. 26 (3), pp. 176-183.

¹² Vilčinskis J., Vijeikis D., "Lietuvos grupių interesai Briuselyje: kelionėje be interesų grupių?" ("Lithuanian groups' interests in Brussels: on a trip without any interest groups?"). *Politologija* 2007, Vol. 1 (45), pp. 95-143.

impact of such inclusion on the representation of the country's national interests in Europe. Having evaluated the organisational structure, level of europeisation,¹³ experience, and available resources of Lithuanian interest groups, the authors of the aforementioned article summarise that the state will retain the key role in the design of internal groups' and common interests in the process of formation of the European policy, and in this way will represent the national - group interests in the EU.¹⁴

The authors of the research confirmed once again that the multi-stage institutional and procedural arena of EU interests and the group access resources evaluated by it, contrast with experience of Lithuanian interest groups as well as with the characteristics of interest arena..¹⁵ Therefore, the "national way" (the influence on the national EU-related policy process) in the near future is most likely to remain the most effective and acceptable way to represent Lithuania's interests in the process of formation of the EU trade policy.

Thus, we can state that at present Lithuania's trade policy-related interests are best (and probably in the most effective manner) defended in the strictly institutionalised formal system of national interest representation forming the CCP.

3. Organisation of Lithuania's foreign trade policy in the context of coordination of EU-related issues

Further on in this article a more comprehensive analysis of the Lithuanian system of coordination of EU-related issues will be presented, with a view to clarifying the structure of organisation of Lithuania's trade policy, and identifying what interests and institutions are involved in the process of formation of the common position on trade policy-related issues.

The main and largest Lithuanian business associations (such as the Lithuanian Confederation of Industrialists, International Chamber of Commerce

¹³ Europeisation of interest groups means the acquisition from other Member States and organised interests defended on the EU level of the values and knowledge on the EU policy style, content and views on public policy formation.

¹⁴ Vilčinskis J., Vijeikis D., "Lietuvos grupių interesai Briuselyje: kelionėje be interesų grupių?" ("Lithuanian groups' interests in Brussels: on a trip without any interest groups?"). *Politologija* 2007, Vol. 1 (45), p. 135.

¹⁵ *Ibid.*, p. 125.

Lithuania (ICC Lietuva), and Lithuanian Business Employers' Confederation) are represented in the aforementioned European-level organisations, yet also have their own role in the formation of Lithuania's official position on specific issues of the CCP as one of the areas of European policy. As we will see, for that purpose constant contacts are maintained between the responsible Lithuanian institutions and business structures, and close cooperation in the process of preparation of the position and arguments is undertaken.

It should be mentioned though that when formulating Lithuania's position on various CCP-related issues, the executive institutions take into account not only Lithuanian business interests, but also consumer interests, and adhere to the guidelines set out in the general priority documents and approve resolutions complying with the international trade rules.

As already mentioned, trade policy is in the exclusive competence of the EU; therefore, at international trade forums, first of all in the WTO, the interests of EU Member States are represented by the European Commission, which negotiates on liberalisation of multilateral trade, accession of new members to the WTO, trade-related disputes with other WTO members, compensations and privileges upon introduction of changes in trade rules after EU enlargement, etc. Therefore, the main task of Lithuanian officials is active participation in the formation of the common EU position in specific foreign trade areas with a view to ensuring the best possible representation of Lithuania's economic interests.

The regulations of the Republic of Lithuania Foreign Ministry stipulate that the Foreign Ministry "coordinates the formation of Lithuania's foreign trade policy and, together with other state institutions, participates in the implementation thereof, participates in the formation of the European Union foreign trade policy, and within the scope of its competence represents the Republic of Lithuania in the European Union process of taking decisions on the said issues".¹⁶

Lithuania's foreign trade policy constitutes an integral part of the country's foreign policy, and Lithuania aims at active participation in the formation of the Common Commercial Policy of the EU. Sub-paragraph 17.7 of Government of the Republic of Lithuania Programme (foreign policy) provides for "The expansion of international economic cooperation and an increase in the stability of the international economic environment. Encouragement of Lithuania's in-

¹⁶ Republic of Lithuania Foreign Ministry regulations, version of Government of the Republic of Lithuania April 9, 2008 resolution No. 375.

volvement in the European transport and energy infrastructure network. Active participation in the regulation of the trade policy of the European Union, and use of the benefits offered by it. Strengthening of the role of economic diplomacy, and seeking for trade and investment conditions favourable for Lithuanian business, as well as for foreign investment.”¹⁷

Strategic goals, tasks, implementation directions, and organisational tools of Lithuania's foreign trade policy are enumerated in the Republic of Lithuania Foreign Trade Policy Guidelines approved by Republic of Lithuania Foreign Minister February 1, 2007 Order.

The Guidelines set out the following three strategic goals of Lithuania's foreign trade policy:¹⁸

1. Use of trade measures for increasing export and external industrial competitiveness, and improvement of Lithuania's economic well-being;
2. Strengthening trade and economic relations with neighbouring countries and other trade partners by diminishing the ambiguity of bilateral trade relations, liberalising mutual trade, and applying clearer measures to regulate trade and trade-related areas;
3. Promotion of harmonious development of global trade by continuing the development and improvement of rules of trade liberalisation and international trade.

Implementation of the aforementioned goals above all means consistent participation in the formation of the EU's trade policy and voicing and defending Lithuania's position, i.e. representation thereof at the meetings of the Council and Commission committees and working groups, strengthening bilateral contacts with the Commission and Member States, and creation of alliances. Another organisational measure is the involvement of social partners, by identifying Lithuania's foreign trade policy-related interests, formulating positions, and coordinating implementation-related activities.¹⁹

¹⁷ Republic of Lithuania Seimas Resolution Regarding Republic of Lithuania Government Programme, July 18, 2006, No. X-767.

¹⁸ Republic of Lithuania Foreign Ministry Order Regarding Approval of the Republic of Lithuania Foreign Trade Policy Guidelines, February 1, 2007, No. V-11.

¹⁹ *Ibid.*

Because formation of Lithuania's foreign trade policy is included in the aforementioned EU-related issue coordination competence, the Rules of Coordination of EU Affairs approved by the Government of the Republic of Lithuania in 2004 set out the relevant provisions regarding regulation of Lithuania's foreign trade policy formation.²⁰

The Rules of Coordination of EU Affairs approved by the Government of the Republic of Lithuania provide for the setting up a EU affairs external economic relations working group, the organisation of the work of which is the responsibility of the Foreign Ministry. Thus, the EU external economic relations working group was formed pursuant to the Foreign Minister May 7, 2004 Order, and the regulations for the working group were approved as well.²¹ The aforementioned regulations provide that the purpose of the working group is the coordination of formulation and implementation of Lithuania's position on the CCP, development policy, and other issues considered by the EU institutions. Another task is the transfer of the EU legislation provisions in the area of economic relations to Lithuanian legislation and coordination of implementation of the aforementioned provisions.²²

The functions of the working group listed in the regulations provide that the working group helps the Foreign Ministry to prepare and agree upon Lithuania's position on the issues in connection with EU external economic relations. The working group must also help to ensure exchange of information on the issues in connection with EU external economic relations between state institutions and entities, concerned associated business structures, and companies. Furthermore, the working group submits proposals regarding the strategy and tactics of consideration of the issues in connection with the EU external economic relations and obtains advice from Lithuanian business representatives on a regular basis.

Therefore, when organising the activity of the work group, the nature of the issues being considered and the business needs in connection with the issues being considered are taken into account, and representatives of the Lithuanian

²⁰ Rules of Coordination of EU Affairs, Government of the Republic of Lithuania January 9, 2004 Resolution No. 21, Government of the Republic of Lithuania April 29, 2005 No. 478 version.

²¹ Republic of Lithuania Foreign Minister Order, May 7, 2004, No. V-66.

²² EU affairs external economic relations working group work regulations approved by Republic of Lithuania Foreign Minister May 7, 2004 Order No. V-66.

Confederation of Industrialists, Association of Lithuanian Chambers of Commerce, Industry and Crafts, Lithuanian Business Employers' Confederation and ICC Lietuva are usually invited to the meetings on the advisory vote right. The regulations stipulate that the head of the working group may invite to the meetings representatives of other state institutions and entities, interest groups, public organisations, scientific and educational institutions, non-governmental organisations, companies, and other persons on the advisory vote right. In this case, representatives of organisations engaged in the protection of consumer rights are usually invited, although their contribution might be much more significant had they participated more actively and submitted their proposals and comments regarding the decisions being taken.

It should also be noted that the involvement of social and economic partners in the activities of the EU affairs working group can take different forms, and includes not only attending meetings, but also consultations by phone, e-mail, etc. This is especially the case when an issue is relevant only for a narrow group of social and economic partners.

According to the survey conducted by the Chancellery of the Government of the Republic of Lithuania in 2005 among the institutions responsible for the activities of the working groups in the field of EU affairs, foreign trade, transport, environmental, and social policy sectors were the most open to the participation of social and economic partners. This conclusion can be drawn considering the answers given by ministries to the presented questions on the activities of EU affairs working groups.²³ In the review of the activity of the Government of the Republic of Lithuania in the field of EU integration in 2004 (the first year of membership in the EU) drawn up in 2005, it is emphasised that "Associated business structures participate in the activity of the external economic relations working group and actively submit their proposals."²⁴ From that time on, the cooperation of the responsible institutions and social and economic partners in the formulation of Lithuania's position regarding trade policy has strengthened, and their contribution in the task of identification of national interests remains considerable.

²³ Government of the Republic of Lithuania, *A review of the activity of the Government of the Republic of Lithuania in the field of EU integration in 2004*, Vilnius, February 14, 2005.

²⁴ *Ibid.*, p. 18.

In summary, we may state that the Government has provided sufficiently good conditions for social and economic partners to participate in the process of development of EU legislation. However, in order for the cooperation to be successful, the ability of social and economic partners to actively use the provided opportunities to participate in the process of formulation of Lithuania's position on the CCP is also of key importance.

4. Peculiarities of Lithuania's economic structure and the impact thereof on the development of external trade policy

4.1 Factors influencing the economic national interests. Peculiarities of the structure of national economy

As we mentioned in previous sections of the article, EU Member States have delegated the right of implementation of the trade policy to the supranational level: in trade-related negotiations, the Council transfers the negotiation mandate to the Commission, which in its turns "speaks in one voice" and represents the common position of the EU.

According to S. Meunier, the common position of the EU, which in various negotiations is defended by the Commission and formulated after long and complex negotiations among the EU Member States, is determined by several key factors.²⁵ Firstly, it is "the common denominator" of the interests and preferences of EU Member States, determined by their ideological and political views, ideas, social and economic structure, interest group activities, etc. Secondly, certain institutional norms enabling Member States to influence the CCP formation process. Finally, it is the informal influence and political weight of the vote: some countries have considerably more influence when forming the common position of the EU.

Thus, we can see that the Council, which comprises representatives of Member States, is not as uniform as the Commission. Some time ago, the aforementioned division between the interests of Member States allowed grouping

²⁵ Meunier S., "Managing Globalization? The EU in International Trade Negotiations" in: *Journal of Common Market Studies*, Vol. 45 (4), 2007, pp. 905-926.

countries by their belonging to the North or South: northern EU countries supported liberal trade policy, whereas southern EU countries supported a protectionist trade policy. Today, when the EU comprises 27 Member States and clearer trade-related interests of individual countries in the global trade system are established (especially with regard to the new members of the EU), such a strict grouping doesn't reflect the real situation, first of all due to the fact that liberal ideas dominate in the CCP implementation agenda. Nevertheless, at present a difference in the positions of the "rich" and new EU Member States on some trade policy-related issues can be distinguished.

It's not hard to explain the difficulties of forming a common external trade position (even though we consider the aforementioned framework of liberal economic values). All we have to remember is that the neo(realistic) paradigm, which dominates in international relations, states that countries are unitary actors, and their elites and public have a concept of the national interest. At the same time, the national interest is first of all defined in geopolitical/security terms, and each country acts in a rational manner based on this interest.

Thus, even when forming the common external trade policy of the EU, Member States seek certain strategic goals determined both by geopolitical objectives and national economic structure or other priorities based on the unique concept of the national interest.

Prior to identifying Lithuania's interests and strategic goals in the formation of the CCP, we have to analyse the structure of the country's economy, which is the main factor determining Lithuania's preferences in the field of trade policy.

At present, Lithuania's economic structure is fairly different from that of the old and even some of the new EU countries. This is clearly demonstrated by data presented in the applied research work "Foresight for the Lithuanian Economy in the Light of Regional and Global Tendencies" conducted in 2007, in which the structure of the GDP by various economic activities in different countries is compared (based on the Eurostat data):²⁶

²⁶ Foresight for the Lithuanian Economy in the Light of Regional and Global Tendencies. Social and Economic Development Centre. Vilnius, 2007. < <http://www.izvalga.lt/lt/dokumentai> >, August 21, 2008.

Table 1. The structure of the GDP by various economic activities in different countries in 2004 (%)

Countries	Agriculture, fisheries	Industry	Construction	Trade and transport	Finance and business	Other activities
EU 25	2.1	20.7	5.9	21.5	27.0	22.8
EU 15	2.0	20.3	5.9	21.3	27.6	23.0
Czech Republic	3.3	31.0	6.9	25.4	16.3	17.1
Estonia	4.3	22.2	6.7	28.2	20.7	18.0
Cyprus	3.1	12.1	8.2	28.5	23.9	24.2
Latvia	4.1	16.8	5.8	35.4	18.2	19.7
Lithuania	5.9	25.5	7.2	32.3	12.4	16.8
Hungary	3.8	26.1	5.1	20.5	20.5	24.0
Malta	2.5	18.9	4.8	28.6	17.7	27.3
Poland	5.1	25.4	5.6	27.2	17.5	19.3
Slovenia	2.5	29.5	5.7	21.0	20.3	20.9
Slovakia	3.9	26.5	5.6	25.8	21.3	16.9

The manufacturing industry in Lithuania remains the key economic sector; however, Lithuania is considerably behind other countries as regards the high and averagely high technology-related processing/manufacturing sector.

In 2007, the major portions of Lithuania's export included mineral products (13.7 percent), machinery, and mechanical and electrical devices (12.9 percent), foodstuffs and agricultural products (11.7 percent), vehicles and accessory transport devices (10.6 percent), chemical products (8.1 percent), and textile materials and products (7.6 percent).

The structure of Lithuanian export by individual product groups shows that some Lithuanian sectors still manage to successively compete in foreign markets. However, certain trends which are unfavourable for the development of the Lithuanian economy appeared. As stated by the authors of the study "An analysis of the impact of the main factors influencing the development of Lithuanian export and increasing the effectiveness the said factors" drawn up in 2003, the main problem lies in the fact that the structure of Lithuanian export is typical of developing countries. The comparative weight of modern industrial

sectors that create considerable added value is small; export is dominated by the sectors requiring less qualified labour and more natural and energy resources.²⁷

In the Complex Study of the Sources (Factors) of the Growth and Competitiveness of the Lithuanian Economy²⁸ conducted by order of the Ministry of the Economy, it is concluded that as much as $\frac{3}{4}$ of all industrial products are created in industrial sectors ensuring low added value, and that Lithuania is dominated by traditional industries and industries generating low or average added value.

The percentage of exported high technology products in the overall export in recent years remained almost unchanged and didn't exceed 3 percent (for instance, in 2004, it equalled 2.7 percent, whereas the EU average equalled 18.2 percent). In Lithuania, almost 80 percent of all export of goods and services of Lithuanian origin are ensured by the processing manufacturing sector, where approximately $\frac{2}{3}$ of all costs account for raw materials, fuel, and energy, whereas the trends of the price for the aforementioned going up are more than clear. Thus, the rising prices of raw materials and fuel in global markets increase the costs incurred by the Lithuanian economy (characterised by high energy consumption) and weaken its competitiveness. Therefore, it isn't hard to predict that with the future trade liberalisation trends remaining active, in the long term Lithuanian export will find it hard to compete with cheap export from low-cost countries (China, India, etc.).

For the time being, the structure of the Lithuanian economy is not advanced: Lithuania is now passing from the second economic development stage to the third (from investment to the innovation). The third economic development stage is characterised by an increase of work productivity and economic restructuring to higher added value activities becoming the key factor for economic growth. The Lithuanian economy has no opportunities to "leap" from the second to the third stage, because it doesn't have the required social and infrastructural basis for that, lacks qualified labour, and sufficient funds and investment for development of such businesses.

²⁷ An analysis of the impact of the main factors influencing the development of Lithuanian export, and increasing the effectiveness the said factors. *Ekonominės Konsultacijos ir Tyrimai*. Vilnius, 2003, p. 10.

²⁸ A complex study of the sources (factors) of the growth and competitiveness of the Lithuanian economy. Business Strategy Institute of Kaunas Technological University, 2006. <www.ukmin.lt/lt/strategija/doc/Kompleksine%20studija-2006_03_09-galutine.doc>, August 20, 2008.

Evaluating the current structure of the Lithuanian economy and the global trends, the authors of the aforementioned applied scientific research forecast rapid growth of the Lithuanian economy and potential breakthroughs in the following areas (provided that the country continues to go up the chain of creation of added value):²⁹

- Manufacturing of chemicals and chemistry products;
- Manufacturing of foodstuffs and beverages;
- Manufacturing of wood and wooden products;
- Manufacturing of clothes and textiles;
- Transport and logistics;
- Environmentally friendly production of energy from renewable sources.

Thus, basically agreeing with the conclusions made by the research authors, we should emphasise that the position defended by Lithuania in the process of formation of the CCP should reflect the structure and peculiarities of the country's economy. At the same time, the position defended with regard to further liberalisation of EU external trade must provide for maximum favourable conditions for successful development of the Lithuanian economy.

4.2. Some theoretical observations on the national interests and development of trade policy

Each EU Member State has a different economy comprising different industrial sectors and is influenced by different economic experiences. As is well known, certain industrial sectors have almost disappeared in some EU countries due to transfer of production to other countries ensuring lower labour and energy costs, and having less stringent environmental requirements and social standards. All this has a considerable impact on the positions of individual EU Member States on issues of liberalisation of the EU external trade policy.

Talking in general terms, we can distinguish a difference in the positions of the new and the "rich" EU countries on certain external trade policy issues

²⁹ Foresight for the Lithuanian Economy in the Light of Regional and Global Tendencies: an abstract. Social and Economic Development Centre. Vilnius, 2007. < <http://www.izvalga.lt/lt/dokumentai>>, August 21, 2008.

(especially if we consider issues such as liberalisation of the agricultural product trade policy, reform of trade protection measures, liberalisation of trade with the developed or developing countries, etc.).

The different strategic goals of the former countries are clearly identified in the Guidelines of the Lithuanian European Policy Strategy in the Short and Medium Term that were prepared and presented in 2006. The authors of the study, among other things analysing Lithuania's strategic position on the issue of liberalisation of EU external trade, compare Lithuania's goals with those of most new EU Member States.

Thus, according to the study authors, the new EU Member States seek liberalisation of trade with the states belonging to the eastern dimension of the European Neighbourhood Policy (ENP) and Russia because outside the EU borders they mostly trade with these countries (the CIS countries constitute the main export market for Lithuania after the EU, to which 24.5 percent of all export went in 2007). At the same time, these countries are interested in the processes of europeisation of this region. The economic structure of the new EU Member States is essentially the same as that of the other rapidly developing states; therefore, liberalisation of trade with China or India would increase competitive pressures on the companies of the new EU Member States. On the other hand, liberalisation of trade with other developed countries (such as the USA and Japan) would be useful for the EU countries, because it would lead to a decrease in the prices of the goods produced on the basis of high technology.

At the same time, the "rich" EU countries want to maintain trade barriers with regard to other developed countries characterised by the same relative advantages. Liberalisation of trade with China and India and other countries with a cheap labour force would be useful for these EU countries, because, on the one hand, it would open vast markets for the goods produced by these EU countries, and, on the other hand, would not lead to any major competitive pressure on local manufacturers. Furthermore, liberalisation of trade with post-Soviet countries for richer EU countries would be important in order to support and encourage democratic reforms in this geographically close and strategically significant region.³⁰

³⁰ Guidelines of the Lithuanian European Policy Strategy in the Short and Medium Term: an abstract. Centre for Strategic Studies. Vilnius, 2006. <[http://www.ssc-lietuva.lt/picture/upload/ssc_leps_sant-rauka_20061119\(1\).pdf](http://www.ssc-lietuva.lt/picture/upload/ssc_leps_sant-rauka_20061119(1).pdf)>, August 21, 2008.

Thus, as demonstrated by most of the conducted studies on the topic of economic development, the development of the available traditional sectors will remain the foundation of the Lithuanian economy and of the growth thereof. Also, we may state that the growth of the Lithuanian economy in the near future will continue to be determined by traditional economic sectors, whereas its competitiveness on the global market will increase, if the traditional economic sector companies understand the importance of the latest technologies and are able to use the opportunities offered by them.

Therefore, upon evaluation of the current structure and the possible trends of development of the Lithuanian economy, we may state that the most important issue for Lithuania in the near future is likely to be liberalisation of EU external trade with Russia and the states belonging to the eastern dimension of the European Neighbourhood Policy. We can distinguish the following three motives of this interest: *firstly*, among the non EU states, main Lithuania's trade partners are Russia and the states belonging to the eastern dimension of the ENP; *secondly*, political stability in neighbouring countries is of strategic importance to Lithuania, and liberalisation of trade would constitute an important measure aimed at the support of democratic and market strengthening reforms in this region; *thirdly*, Lithuania could become a "gate" for Eastern and South-Eastern Asian products to the EU and/or EU "bridge" to Eastern Europe, Southern Caucasus, and Russia. At the same time, this would encourage unification of areas of key importance for the development of the Lithuanian economy – the EU energy and transport infrastructure – with the Eastern European infrastructure systems.³¹

³¹ Ibid.

5. Lithuania's national interests and contribution in the formation of the CCP

In the previous section of the article, we discussed the peculiarities of the structure of the Lithuanian economy as one of the key factors determining the country's economic (trade-related) interests. Furthermore, taking into account certain theoretical considerations, we stated that liberalisation of the EU trade policy would be most useful for Lithuania.

In this section we will identify and analyse Lithuania's national interests in connection with external trade, which are represented during the process of formation of the CCP. Major attention will be paid to the establishment of the extent to which the external trade policy implemented by Lithuania recently complies with national economic interests, and of the extent to which this policy encourages development and further growth of the Lithuanian economy.

Thus, the national interests declared by Lithuania in the field of trade policy basically reflect the ones stipulated as strategic goals and tasks of the foreign trade policy guidelines.³² On December 18, 2006, Lithuania's Foreign Trade Policy Guidelines were approved at the EU external economic relations working group meeting not only by the state institutions and entities taking part in the formation of trade policy, but also by social and economic partners, which ensured unification of both public and private interests.

Analysing Lithuania's interests in the process of formation of the CCP in more detail further on, we should emphasise that in 2006 Lithuanian representatives were fairly actively involved in the discussions regarding the future of the EU external trade policy, with a view to defending the country's trade-related interests. Lithuania stood for paying more attention to the opening of the market of the third countries and didn't agree with the proposals concerning unilateral opening of the EU market, and emphasised the need to strengthen the fight against non-competitive practices of some other countries and stood for abolition or mitigation of anti-dumping measures. Furthermore, Lithuania proposed to supplement the agenda of negotiations with the issue of application of minimum social and environmental standards, failure to adhere to which increases the competitive power of certain countries.

³² Republic of Lithuania Foreign Minister Order regarding Approval of the Republic of Lithuania Foreign Trade Policy Guidelines, February 1, 2007, No. V-11.

On September 13, 2006, the European Commission announced its communiqué “Global Europe: Competing in the World” based on the aforementioned discussions, the aim of which was the establishment of the main guidelines for increasing the competitiveness of the EU.³³ The said communiqué emphasised an external dimension as one of the key strategies of European growth, and listed specific trade policy principles, which essentially determine the current EU trade agenda.

Upon careful examination of the provisions contained in the said communiqué of the Commission, we see that they basically coincide with the strategic goals and tasks of the Lithuanian foreign trade policy listed in the Republic of Lithuania Foreign Trade Policy Guidelines. The directions of implementation of the goals and tasks of the Lithuanian foreign trade policy comply with the action plan targeted at the increase of external competitiveness formulated in the Commission’s communiqué and supplement the said plan with some new initiatives related to the ENP countries.

Further analysis of the main goals and tasks of Lithuania’s trade policy is among other things based on the speech given on January 16, 2008 at the Presidential Office by Foreign Affairs Secretary Ž. Pavilionis, who presented the key objectives of Lithuania’s trade policy,³⁴ and the relevant provisions of the Foreign Trade Policy Guidelines. Furthermore, the positions expressed by the Lithuanian officials involved in the process of formation of the CCP will be analysed. Thus, Lithuania’s key provisions and defended interests in the field of trade policy will be specified and explained.

In the trade policy-related interests defended by Lithuania, we can see a seeking for an increase in economic security by ensuring liberal and stable conditions of export of Lithuanian goods and services based on international rules. It’s likely that upon Russia’s and Ukraine’s accession to the WTO, the trade regime of the two countries will become stable and predictable. Trade agreements of the new generation (with Ukraine, Russia, MERCOSUR, India, Korea, ASEAN, Canada, Japan, etc.) are among other things aimed at the establish-

³³ Global Europe: Competing in the World: A Contribution to the EU’s Growth and Jobs Strategy. – Commission Staff Working Document, SEC(2006) 1230, Brussels, 2006.

³⁴ Pavilionis Ž., “Objectives and tasks of Lithuania’s trade policy”, a speech given during the round table discussion “Lithuania’s foreign trade policy upon accession to the European Union: are we ready for the globalisation challenge?” held at the Republic of Lithuania Presidential Office, Vilnius, January 16, 2008.

ment of certain rules and guarantees for investment, and provision of a wider and predictable market access to service providers.

Major attention is paid to the creation of new opportunities to export Lithuanian goods and services, and to increase the external competitiveness of businesses (opening of the third countries' markets and abolition of non-tariff barriers). Attempts are made for the future agreements to provide for an ambitious opening of the market – zero customs duties for the industry, considerable opening of the agricultural market, access to the services and public procurement market, and an entire collection of rules (concerning standards, veterinary requirements, intellectual property protection, dispute settlement, etc.).

Provision of new opportunities to Lithuanian consumers by defending the interests of both the Lithuanian population and business consumers can be ensured by implementing a liberal trade policy and seeking that the third countries decrease and abolish export restrictions, which would lead to a decrease in the price of raw materials and end products for Lithuanian consumers.

Considerable attention is paid to the supervision of adherence to the free and fair trade rules in order to protect the interests of Lithuanian consumers, manufacturers, and investors (reduction of the non-competitive influence distorting the market). This includes application of exclusive market protection measures (anti-dumping and compensatory (anti-subsidiary) measures), and supervision of application of such measures in the third countries.

Strengthening of trade and economic relations with neighbouring states is one of the key priorities in the field of trade. Lithuania seeks special trade relations with its neighbours and stands for application of Generalized System of Preferences (GSP) to Belarus, conclusion of a free trade agreement with Ukraine (which would enable reaching a similar level of integration with the EU as in the case with Norway) and application of Autonomous Trade Preferences to Moldova (which essentially means free access to the EU market). Furthermore, Lithuania seeks conclusion of a free trade agreement with Georgia and renewal of trade agreement with Russia upon accession of the latter to the WTO.

Another aspect of key importance to Lithuania is implementation of the objectives of the Development Cooperation Policy, by providing more favourable conditions for less developed countries to develop and enter the global trade system. The development cooperation measures such as the GSP, GSP Plus and

EBA (Everything But Arms) are the privileges unilaterally granted by the EU to the developing countries for EU market access. Trade agreements provide for asymmetrical market opening, depending on the level of development of specific trade partners.

Finally, at the Doha Round of WTO Negotiations that lasted seven years and ended unsuccessfully at the end of July 2008, Lithuania supported the European Commission's seeking for the ambitious DDA (Doha Development Agenda) negotiation results, yet called for the inclusion of the following conditions:

- Assurance of a balance between and within individual negotiation areas (agriculture, liberalisation of trade in industrial goods, liberalisation of trade in services, facilitation of trade, trade rules, etc.);
- The EU must not be the only "payer" in the negotiation round (speaking of privileges). The contribution of all countries in the round must be adequate to their levels of development;
- The negotiation-related limits set for agriculture in 2003 must not be exceeded when reforming the EU Common Agricultural Policy.

Lithuania's main interest at the Doha Round of Negotiations was (and is likely to remain, if the round is renewed) the opening of the third countries' markets for Lithuanian industrial manufacturers and service providers. Lithuania paid special attention to ensure ambitious results in the trade facilitation-related negotiations (making the customs procedure rules more stringent).

Considering the aforementioned key activity directions of Lithuania's trade policy, we can note that both in bilateral (bilateral EU trade agreements) and multilateral (the WTO format) trade policy dimensions Lithuania's objectives are clearly defined and that the country is sufficiently active.

Evaluating the position represented and defended by Lithuania in the field of the EU external trade policy, we can state that it essentially reflects the country's national economic interests determined by the structure of the country's economy. By actively defending its trade and economic interests (increase of the external competitiveness and provision of favourable international trade conditions to the country's manufacturers and exporters), Lithuania also ensures protection of the rights of its consumers.

It should be emphasised that Lithuania's national interests are not always defended successfully (for instance, in the field of liberalisation of EU trade in the clothing and textile sector), often due to the relatively small influence made by Lithuania in the process of decision-taking or due to the fact that different provisions dominate in different EU countries. However, in those areas where Lithuania's interests are close to those of large EU Member States (France, Germany or Spain) and/or of the most new EU countries, national interests are defended quite successfully. This especially concerns the issue of application of market protection measures, relations with the third countries, or trade-related aspects of the ENP.

Thus, taking into account the current peculiarities of the Lithuanian economy and the country's opportunity to influence the CCP, we can summarise that for the time being Lithuania has been fairly successful when identifying its national interests and defending them in the EU external trade policy.

Conclusions

Although both formal and informal structures of representing country's interests exist, for the time being, Lithuania's trade policy-related interests are most effectively defended in a strictly institutionalised formal national interest representation system of formation of the CCP. It's likely that the "national way" of representing Lithuania's interests will remain the most effective and acceptable manner in the near future in the field of EU trade policy.

However, this doesn't mean that in this way private or other interests will be distanced from the process of formation of Lithuania's foreign trade policy. As we concluded before, the Lithuanian Government has provided sufficiently good conditions for social and economic partners to be involved in the EU legislative process.

It should be noted that the process of formation of Lithuania's foreign trade policy especially needs more active participation of the institutions and organisations defending consumer rights and interests. At present, the voice of business structure organisations is mostly heard during forums where trade policy issues are considered, due to the passivity of the organisations representing other types of interests. It is clear that business interests are organised and institutionalised in the best way; however, the coordination system of EU affairs, as we could see, is open to all interested structures.

Thus, in order to ensure successful and effective cooperation, social and economic partners should have enough desire and ability to actively use opportunities to be involved in the process of formulation of Lithuania's position regarding the CCP.

Upon evaluation of the structure of the Lithuanian economy, we can see that it isn't advanced: compared to most of the old, as well as some new EU countries, most added value is created in the agricultural sector and traditional industrial and trade activities. Lithuanian export is dominated by traditional goods, the production of which is based on cheap labour force and natural resources. None of these goods can be classified as high technology and other types of modern goods.

We can state that the growth of the Lithuanian economy in the near future will continue to be determined by traditional sectors of the economy, and its

competitiveness on the global market will increase only if the companies working in traditional sectors are able to understand the importance of the latest technologies and learn to benefit from the opportunities provided by them. Therefore, it is important to ensure that further liberalisation of EU external trade doesn't harm any economic sectors, and doesn't lead to economic and social instability, and to provide for maximum favourable conditions for successful development and growth of the Lithuanian economy.

However, it must be acknowledged that with the continuation of liberalisation of the CCP, Lithuanian export will face some increasing difficulties when competing in both the EU and the third countries' markets. Because Lithuania doesn't have the comparative advantages provided by the environment (natural resources, abundance of capital, or cheap labour force), it will need to acquire them, if it wants to successfully compete in various markets in the future, which first of all depends on the country's economic policy and to a great extent on the country's trade policy.

From a theoretical point of view, the most important issue for Lithuania in the medium term is likely to be the liberalisation of trade with Russia and the states belonging to the eastern dimension of the European Neighbourhood Policy (ENP). At the same time, in order to better protect consumer rights, Lithuania should selectively support liberalisation of trade with the rapidly developing countries (India, China, etc.) in areas in which its industries don't specialise. Thus, the support of balanced liberalism (especially in trade with the third countries) by uniting the EU Member States for the defence of the same position may ensure sufficient conditions for further development and proper transformation of Lithuanian economic sectors, and for facing the challenges presented by the global market.

Upon analysis of Lithuania's main stances in the process of formation of the CCP, it's clear that they fairly faithfully reflect the needs determined by the structure of the Lithuanian economy. One of the key objectives of Lithuania is to ensure that its industry could benefit from the current international trade rules and the newly appearing opportunities in the third countries. Another clearly visible objective is to ensure that the competitive pressure on the part of the third countries be based on real competitive advantages rather than unfair trade tactics, and be managed taking into account the interests of local industries.

In any case, Lithuania should remain among the most active supporters of the liberal EU trade policy, and preference must be given to the “attacking” interests, i.e. opening of the third countries’ markets and improvement of trade rules promoting trade.

This position would help to further implement Lithuania’s national interests in the field of trade policy, which are generated taking into account the essential needs of the Lithuanian economic entities and consumers in the near future.