LES CAHIERS EUROPEENS DE SCIENCES PO.

> N° 02/2003

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SciencesPo. | Centre d'études européennes

Les Cahiers européens de Sciences Po.

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Citation : Emiliano Grossman (2003), "Bringing Politics Back In: Rethinking the Role of Economic Interest Groups in European Integration", *Les Cahiers européens de Sciences Po*, n° 02.

Bringing politics back in : rethinking the role of economic interest groups in European integration

Most observers of European integration – academics or not – would agree with the statement that "economic interest groups are politically powerful". Such a general statement, however does not allow for precise hypotheses about *the way* in which economic interest groups influence politics. Moreover, this leaves entirely open the fundamental question of how interest group preferences come about.

The question of the power of interest groups was central to early works on European integration such as those by Haas (1968) and Lindbergh (1963). The explosion of interest group activity after the Single European Act has lead to a renewal in works on interest groups in the EU. However, the question of power has been strangely absent from most of those studies, which focus rather on policymaking, EU-level collective action or the future of the nation-state.

Leaving one of the central questions unexplained has left the door wide open to authors in neighbouring fields. This may explain why the only comprehensive explanation of interest group attitudes to European integration is provided by authors in the field of International Political Economy. European integration is understood in this work as a trade agreement favoured and promoted by those sectors of the national economy that benefit from it and opposed by those who are disfavoured by it. This view has inspired most of Moravcsik's liberal intergovernmentalism. More surprisingly, contemporary works in the supranational-governance literature largely accept this view. They differ from Moravcsik's work on the degree of autonomy they assign to supranational institutions, but much less on the actual role of interest groups in European integration.

This paper attempts to lay the ground for an alternative view of economic interest groups' attitude toward European Integration. It starts by presenting a largely sceptical view on interest group power which contrasts with both works in the intergovernmental and in the supranationalist tradition. Drawing on research on banking interest groups, we argue that economic interest groups are unable to state their interests in a changing political environment. Put differently, in an unstable political system, stable variables, i.e.: national variables, remain central. Rather than weighing the respective benefits of integration and non-integration, they will therefore strengthen their links to familiar political actors and institutions, i.e.: to national governments, agencies and other national interest groups. Only slowly will interest groups *learn* and find their way around EU politics and institutions with the support of those institutions and the EU Commission in particular, as well as by a more general process of institutionalisation. Even then, though, IPE-literature got it wrong, since the bureaucratic fragmentation and the political instability turn out to be institutionalised features of the EU polity. This renders long-term relations between interest groups and EU-institutions very difficult and opaque for the former and any type of policy capture highly unlikely.

The rest of this paper proceeds as follows. We will first develop on the consensus in the work on European Integration concerning the role of economic interest groups. We will the develop an alternative view, based on IPE, but taking into account uncertainty and learning. The third and last section illustrates the main elements of this new theory empirically, drawing on field work in the area of banking interest groups in France, Germany and the UK.

1. THE STRANGE CONSENSUS IN EUROPEAN INTEGRATION STUDIES

Though central to the early works on European integration, recent research on economic interest groups in the EU has somewhat eluded the question of power. Haas, in particular, predicted an incremental transfer of interest group activity to the future political centre of the European Community and even the emergence of an "industrial ideology transcending national frontiers"[1]. This view of things is strongly contested by Hoffmann (1965), who restated the autonomy of politics with regard to economics[2].

More recent authors insist on the importance of EU lobbying and its «explosion» since the Single European Act, be it Eurogroups, lobby consultants, public affairs specialists, public relations firms, EU offices and any other type of EU interest representation. Much of this work tries to apply national concepts to EU politics: such as 'euro-corporatism' (Andersen & Eliassen 1991) or 'transnational pluralism' (Streeck & Schmitter 1991). In the 1990s, most research on EU interest groups focused on collective action problems at EU level[3]. This work avoided the question of the actual influence of interest groups and their role in European integration[4].

Contemporary work inspired by neo-functionalism remains largely silent on that point. The recent work by Sandholtz and Stone Sweet (1998) presents interest group support to European integration as an a-priori element of their own research. While underlining the autonomy of community institutions with regard to member states, they admit that institutionalisation is due in the first place to "individuals, groups and firms who transact across borders" (Sandholtz & Stone Sweet 1998: 4).

Liberal intergovernmentalism offers a much more powerful and elaborated theory of interest group behaviour and attitudes towards European integration. Moravcsik (1993; 1998) states that it is the interests of big multinational and financial firms that determined the positions of national governments on the major issues at the negotiations preceding the Single European Act (1998: 344, 346) and on Economic and Monetary Union (1998: 403, 408, 423).

This vision is largely derived from comparative-advantage based visions of international politics inspired by Stolper and Samuelson's work on wages and international trade (1941). Contemporary IPE-authors continue this tradition and state that world market prices of particular goods and services will have an impact on domestic policy preferences with regard to protectionism and trade policy in general. Put differently, greater capital mobility, for instance, will favour capital in the countries where it is relatively abundant and disfavour it where it is relatively rare (Frieden 1991: 435). "Exogenous easing" of capital mobility through, say, technological progress, better infrastructures or the liberalisation of hitherto protected financial markets may lead domestic economic actors to change attitude on topics such as capital controls and other protectionist measures.

Reactions will of course not be univocal and unlike more classical approaches, which confine themselves to comparing "production factors" (Rogowski 1989), the "specific-factor approach" allows for differentiation *within* particular sectors (Frieden 1991: 444). Economic actors are engaged in a variety of activities which structure their time horizons. While some types of investments allow for rapid change, retreat and re-investment, others force a certain degree of rigidity upon investors. As a consequence, rapid liberalisation may favour some actors at the expense of others, creating coalitions of actors lobbying in favour of more liberalisation and coalitions of more reticent actors[5].

Applied to European integration, it will be mainly big financial and multinational firms with highly mobile capital and already engaged in transborder transactions which will lobby in favour of further integration. An integrated market procures superior investment opportunities and portfolio diversification to these actors. At the same time, smaller banks with less mobile capital and rather little international business are likely to be less competitive and, thus, more reticent towards integration (Frieden 1991, Hefeker 1997, Story & Walter 1997).

This analysis may appear somewhat mechanical and even functionalist, but has the great advantage of providing a clear explanation of interest group attitudes and behaviour as well as testable hypotheses. Once again, the supranational governance literature does not offer any alternative account of interest groups' preferences and their role in the policy process[6]. The two main "schools", thus, appear to assume that major multinational and financial firms support European integration in as far as it provides new economic opportunities and greater benefits to them. This is explicitly stated only by liberal intergovernmentalism and IPE, while it is an a priori assumption of recent work in the supranationalist tradition.

2. TOWARDS AN ALTERNATIVE THEORY OF THE ROLE OF ECONOMIC INTEREST GROUPS

This section develops an alternative account of economic interest groups' preference formation, which is to a certain extent inspired by "classical" integovernmentalism's skepticism and its belief in the autonomy of economics with regard to politics. Moreover, our approach attempts to integrate elements of sociological and historical institutionalism into IPE.

Our aim is clearly not to "falsify" political-economic approaches but to *qualify* them. In a context of increasing professionalism, interest group officials are more and more competing with professional lobbyists and thereby forced to act as service providers in an ever more open market for such services. Regular evaluations of strategies and results are now commonplace even within the oldest "Eurofeds". "Organic" representation is now the exception[7]. It is therefore necessary to take into account the actors' will to act in a way which favours the commercial interests of their hierarchy, their members or their clients.

The real question is not whether economically rational behaviour exists or not, but the many obstacles that may first complicate the identification of objective interests and, afterwards, the realization of those objectives. A major exogenous choc such as the emergence of a European level of governance in a particular policy area may durably upset existing institutional arrangements at the national level, as the abundant literature on "Europeanisation" shows. This may in turn put "stress" (Lehmkuhl 2000) on interest groups whose acquired knowledge and know-how about polity, politics and policy may thus suddenly be depreciated and even prove useless.

More specifically, it may increase uncertainty concerning strategies and lines of action for all actors. Even if everything is done to come up with an adequate response to the new situation, this may prove to be difficult, if change affects the whole political and economic environment of actors. Several different sources of uncertainty may be identified. The first stems simply from the ignorance of EU institutions and policymaking. In that case, it will be difficult to evaluate economic or political opportunities arising from EU integration, to recognize interests and to defend them. Second, the policy issues themselves may be a major source of uncertainty. One example may be Economic and Monetary Union, which was unlikely to be "understood" in terms of past experience for most economic or financial operators[8]. Third, even when contacts exist, the characteristics of the EU policymaking process make its results very difficult to anticipate, not to mention the fact, that interest groups are largely excluded, still today, from the actual decision-making stage[9].

Hence, we disagree with the IPE-hypothesis according to which economic actors with mobile capitals will *necessarily* favour more liberalization and, generally speaking, European integration. On the contrary we assume that increased uncertainty will prevent actors from adopting any clear and proactive attitude. It is highly unlikely that these actors push for specific outcomes under thes circumstances.

In the short term, uncertainty will rather favour a strengthening of existing policy networks at the national level. Put differently, the European "threat" will increase member-state level co-ordination and coalition-building. The national variable and cleavage will thus outweigh purely economic considerations in the short run. This does not mean that purely economic considerations cease to be central to economic actors' behaviour: they are just temporarily suspended.

Two factors, we argue, will allow for a return to "business as usual": learning and institutionalisation. As to learning, it is a much-debated term and we have chosen to adopt a deliberately minimalist definition. This is not to ignore more elaborate approaches of knowledge in the policy process (see the review by Radaelli 1995). The kind of uncertainty that we are dealing with here is very remote from policy contents such as in theories of epistemic communities or in the advocacy coalition frameworks. It is mainly about the ignorance of European alternatives to existing national arrangements. Following Scharpf, we define learning by the discovery of previously unknown solutions to existing problems (1997: 63), which leaves us very far from "omniscience", i.e.: knowledge about *all* existing alternatives.

Institutionalisation is closely linked. By developing "European resources", such as employing specialized personnel or opening a Brussels office, actors participate to the stabilisation of EU-level policy networks, thereby contributing to institutionalisation of EU governance in a given policy domain. However, in this context, institutionalisation is more concerned with the irreversible transfer of national policy competences to the EU level. This in turn means that there will be specific parts of the EU administration that will deal with this area and try to build up a "constituency" by contacting interest groups, creating discussion forums, consultative committees etc.

It is only once this two-fold process is well under way that national cleavages may increasingly be replaced by transnational cleavages. Europeanised actors, strong enough to survive competition in a single European market may be on one side of that cleavage, increasingly transcending national borders. On the other side, you may find less competitive and/or smaller economic actors whose political representatives will seek to slow down liberalisation and whose territorial reference is likely to continue to be the member state.

We thus see an interplay of three contradictory tendencies or processes in the "Europeanisation" of interest group activity. We believe these may be extended to most policy areas, while our examples are drawn from field work in the area of financial and banking and regulation. According to the first process, European integration is likely to reinforce national cleavages and sometimes even create them. A second tendency may see actors putting into practice new strategies and policies being institutionalized. A third process appears to be more structural and characteristic of the European polity: the fragmentation and "multilevelness" of European policymaking prevents complete stabilisation and prevents economic interest groups from "capturing" a particular policy area.

3. SPECIFYING INTERVENING VARIABLES IN INTEREST GROUP PREFERENCE FORMATION

This last section will elaborate on each of the different tendencies of Europeanisation. It will draw on field work on interest groups in the banking sector to illustrate our argument. As we will see these tendencies, to some extent, correspond to different stages of Europeanisation even if these stages are clearly overlapping and all three processes are at work any time.

Uncertainty and national coalitions

This phase is characterized by the predominance of national cleavages at the expense of transnational economic interests. For many actors and policy domains, the Single European Act (SEA) has been the first time they had to confront international politics in any significant way. The SEA has thus first of all helped domestic actors and especially interest groups to become aware of international competition and regulation. Without any specific knowledge about EU political policymaking processes and institutions, however, no strategy could be developed. The urgency of a political answer to the SEA may partly explain the need to find domestic solutions to the problems faced by economic interest groups. Moreover, the SEA has fundamentally upset the regulatory environment within which many industries were active.

This should not just be understood as a defensive mechanism[10], but, on the contrary, may serve as a starting point to redefine business-government relations in some cases, as we will see. Interest groups are thus confined to domestic strategies but may take benefit from that in order to change the domestic *rapport de force*. The degree of change that came about is largely determined by intermediary variables such as those summarized by concepts such as "goodness of fit" or "misfit" in the Europeanisation literature (Risse, Caporaso & Green Cowles 2001).

Our case study on financial regulation illustrates this pattern particularly well. Before the SEA, political representation abroad had never been an issue. Existing structures of international governance, such as the *Concordat* in 1975 had been decided by central bankers and regulators without any significant input from banking interest groups. This may explain why, unlike the predictions made by IPE-authors, all banking interest groups choose to play the “national card” during the negotiation of the Single Market for Financial Services.

Differences were strong however as far as the relative autonomy of interest groups were concerned, following classical patterns of interest group organization and business-state relations in the UK, France and Germany. Germany proved able to deal with the Single Market within existing frameworks such as the banking roundtable *ZKA*, which was extensively consulted by public authorities, i.e. the ministry of finance and the Bundesbank, who share the regulatory and supervisory authority in Germany. France, unsurprisingly, had to realize substantial changes. Reforms started in 1984, but the banking sector was still far from independent from public intervention and interest groups, even today, mostly serve the purpose of transmitting government statements to banks. As a result, banking interest groups, for the first time, were consulted almost on an equal footing, by government officials in the aftermath of the SEA. The case of the UK is somewhat special in the sense, that the City had been traditionally very independent and even “corporatist” (Moran 1991). However, a process of reform had started in 1979 and had forced banks to organise their own political representation in a sense that had not been necessary till then. From that point of view, the SEA was to be an important and significant occasion for British groups to redetermine their links to public authorities. However, the rather lose and ad hoc character of British policy networks proved to fit EU-level politics rather well, as the work by Josselin shows (1996: 142-144).

The expression “battle of systems” (Story & Walter 1997) probably overstates the inner coherence of the financial systems in the three countries. It is striking, nonetheless, that for a limited period, domestic interest groups forgot their feuds and conflicts to achieve a “national position” towards Brussels. The actual content of that position was more or less thin, the French one being the less precise one.

The next major issue was Economic and Monetary Union (EMU). It has often been presented as the result of big business and bank lobbying. Monetary union, in this perspective, is seen as an extreme form of reducing exchange rate volatility and as logically linked to capital movement liberalization (Frieden 1996: 203; Hefeker 1997: 80; Woolley 1992).

Our own research tends to show, on the contrary, that banking interest groups avoided taking any public stance on EMU and that mobilisation was non-existent. In fact the uncertainty created by EMU was much more important that in the case of the SEA and both related to content and political context. EMU was a "change of scale" [11]. The project's calendar is very long term and past experiences had shown that monetary unions are difficult to implement[12]. Banking interest groups therefore adopted a "wait-and-see" approach in all three countries. Moreover, the mixed feelings of public opinion or the outright opposition towards EMU were another element which prevented banks from taking a public stance on this issue[13].

The then head of the *Association des banques françaises*, stated in 1994 that "from our point of view, it is not about being in favour or against the single currency, but to apply the law" [14]. Globally in favour, French bankers were mainly concerned about the costs of the changeover and entrusted the government with defending their interests. The situation was not altogether different in Germany, where many actors, following the Bundesbank, had mixed feelings about giving up the *Deutsche Mark*. This in turn explains why the major banks asked for guarantees for the stability of the future currency (Kaltenthaler 1998: 109ff), even if some actors, such as the *Deutsche Bank*, were early and unconditional supporter of monetary union[15]. In the UK, the *British Invisibles European Committee* (BIEC) dealt with the issue of EMU, but the true issue at the time of the Maastricht Treaty was joining the European Monetary System. In order to avoid being left out of debates, BIEC supported the Treasury's "hard ecu" proposal. Once again economic interest groups did not try to push for a particular outcome but, in all three cases, made the positions of domestic political institutions their own.

Both the SEA and EMU for slightly different reasons thus confirm that national interest groups played the national card in a context of political uncertainty. European federations in both cases preferred to avoid interference with “national interests”. While they played a role as an information provider at the time of the SEA, they mostly refrained from playing *any* role in the early stages of EMU and did not do so before the mid-nineties. The difficulties to take a clear stance on the SEA were mainly determined by the ignorance of EU institutions and policymaking in general. In the case of EMU, however, the uncertainty stemmed from the issue itself and its economic consequences. In both cases national banking associations remained largely silent and followed domestic political institutions, contrary to IPE-predictions.

Learning and institutionalisation

The “nationalism” of initial responses to European challenges should not prevent us from seeing the profoundly ambiguous character of the strengthening of national coalitions. The “united front” against Brussels was clearly an early form of Europeanisation, a recognition of Brussels’ importance for domestic actors and, therefore, a phase that could not be but transitional. It was the shield behind which actors were granted temporary protection, leaving them time to build up their European resources in order to defend their interests themselves.

Even in “statist” France, the government has increasingly encouraged domestic firms to develop EU lobbying (Schmidt 1996). Put differently, this first defensive reaction was in fact and paradoxically a step towards Europe and towards *learning* in the widest sense: increasing the own presence and demands in EU federations, employing EU specialists, buying specialised services from EU-consultants, opening up EU offices, organising high level encounters with EU officials etc.

As to institutionalisation, there is no precise measure for it, of course[16]. As understood here, it is mainly the process by which the European level of governance becomes established and irreversible. This is due, on the one hand to the recognition of this level as a policymaking level by domestic political and economic actors. This may be supported by the emergence of EU-level policy networks including Commission officials, national representatives, MEPs and/or interest groups representatives. Maybe the main element is the Commission's capacity to develop adequate initiatives and to avoid renationalisation. This comes close to what Tranholm-Mikkelsen has called "cultivated spill-over" (1991: 15).

All these elements were again present in the example of banking and financial regulation. Learning however was strongly determined by intermediate variables. The capacity to adjust to EU-level policymaking procedures would depend on the overall flexibility of actors, their financial, organisational and intellectual and/or linguistic resources (1). This in turn depended on the overall domestic institutional context (2). Finally, the EU was of course not equally open to all players. Therefore, those trying to develop veto capacities at EU-level may not have been granted the same access to information than those unconditionally favouring further EU integration (3).

As to the first element, there was a clear tendency to reproduce domestic lobby know-how at EU-level. One anecdote may illustrate well the importance of this variable. French interest groups officials tended to invite Commission officials for lunch to expensive restaurants to discuss policy issues over a good bottle of wine. While this strategy may still be effective for *French* EU officials, it clearly contrasts with usages in northern EU member states, where the lunch break is usually short if there is one at all. Heavily expertise-driven lobbying, such as the one which appears to be predominant at the European Commission, has long been unknown in the French context and is only slowly emerging.

From that point of view, British lobbying and, more specifically, US-imported British lobbying (Coen 1999) have proved far more successful in developing long term contacts with EU officials. It appears for instance that it was a committee of City lawyers set up by the *City Committee on EMU* which drafted a first version of the regulation on the legal statute of the Euro[17]. Here, learning and transformation processes have been very quick due to the absorption of most

British (investment) banks by US banks from the mid-eighties onwards. Significantly, most "specialists" that are regularly consulted, auditioned or who participate frequently in expert groups, come from the London offices of US banks[18].

German interest groups illustrate well the third point. Comparatively rich in terms of budget and human resources[19], most German interest groups have opened Brussels offices in the early nineties, following – once again – the example of national policy making, where the Bonn offices recently moved to Berlin. Funding does not appear to have been a problem: both the actor-related variables and the general domestic context appear to have favoured this "exernalisation" of interest group activity (Balme & Chabanet 2002). The problems that German interest groups have encountered are related to the specific opportunity structure of the European level of governance. Especially the representatives of public banks, i.e.: the big Länder-owned regional banks and the more than 500 municipal savings banks, have been worried about the evolution of EU state aid policies and principles (Smith 2001). More generally, especially the savings banks' association (DGSV) has proved to be a rather reticent supporter of further liberalisation. As a consequence, representatives state that they have had major difficulties in *accessing* Commission services in both DG Internal Market and DG Competition[20].

At the same time the Commission has increasingly sought to involve interest groups in all major policy issues. The reasons and the actual form of this involvement vary strongly from case to case and even over time within the same policy areas. According to Bouwen's typology (2002), the Commission is mainly interested in expert knowledge, since it lacks the resources necessary to highly technical regulation in very many policy areas. The Council instead is said to care about "national encompassing interests", while the European Parliament is concerned with "European encompassing interest". Though the distinction of these three "access goods" is extremely useful for analysis, it is very difficult to find clear evidence in favour of this typology.

A case in line is the Financial Services Action Plan, launched in 1999. It is meant to abolish remaining obstacles to the free provision of financial services across the Single Market. The

Commission has created seven "Forum groups" dealing each with a major area of reform in order to involve industry in policymaking. Interestingly, DG Internal Market has been concerned with the "representativeness" of those expert committees. The then biggest French bank, *Crédit Agricole*[21], has been contacted directly by the Commission to participate in two Forum Groups, even though it had never taken any sort of initiative in that sense[22]. While this search for a representative sample of the industry is rather rare in this area, the Commission has always tried to support a wide representation of interests, as its massive support to public interest groups – in other areas – demonstrates[23].

Put differently, the Commission often tries to take into account all three types of access goods. Integrating as large a sample as possible into the consultation procedures of the Action Plan may be read of course in the first place as an enterprise seeking to attract expert knowledge. In practice, however, it has been at least as much related to mobilising national *and* European encompassing interests, as a means of legitimising its proposals with regard to both the Council and the European Parliament. In Scharpf's terms, the Commission is primarily concerned with output legitimacy, but it cannot leave input legitimacy altogether to other institutions.

Promiscuity, opacity and bureaucratic fragmentation : the role of EU policymaking

Commission-interest groups relations have substantially changed over the past twenty years (see, for example, Mazey & Richardson 2001). Many elements tend to confirm the idea of long-term validation of IPE-hypotheses. Moreover, much of what has just been discussed will remain and become characteristic of what some authors like Kohler-Koch call the "European system of interest intermediation". The problem is that even after learning and institutionalisation, it would be wrong to assume that the EU polity comes anyway near an interest group dominated polity or the kind of "interest-group liberalism" (Lowi 1979) that seems to underlie IPE-visions of international politics. We claim that the structural characteristics of the EU policy process are source of permanent uncertainty for interest groups.

What is sure is that *some* interest groups have started to appreciate the multilevel policymaking that has resulted from European integration in an ever increasing number of areas. Grande has shown, however, that European integration and multilevel policymaking may provide an opportunity for states to recover autonomy lost in the domestic context (1996). While there certainly are examples illustrating this kind of mechanism, this should not be generalised, as Kohler-Koch righly argues. The problem, once again is that not all groups are equally well equipped to take benefit from multilevel policymaking and that it is mainly "diffuse" interest which are disadvantaged by the emergence of a new level of governance (Kohler-Koch 1997: 62). The above quoted example of state aid policy provides a good illustration of this inequality. The much publicized *Crédit Lyonnais* case has seen short-lived but effective alliances between single banks from different countries, as the Commission called for interested parties' opinions within its "formal exam procedure"[24]. For major banks it has slowly become a second nature to turn to Europe to solve domestic conflicts. The rescue plan presented by the French government was resented as too favourable to the bank by competitors. *Société générale* took EU opportunities very seriously and has several times initiated new procedures since. Remaining "dirigiste" practices in France do not allow for any real "dialogue" between public authorities and competitors in such a context. The EU and, more particularly, DG Competition, instead has been an understanding and even encouraging partner on most occasions.

Moreover, transnational alliances may become increasingly visible. While the whole procedure was fuelled by the opposition of the bank's main competitors in France, *Banque nationale de Paris* and *Société générale*, there also were "letters" and "opinions" by the *British Bankers' Association*, as well as the British and the Danish permanent representations[25]. Another illustration of this is the creation of the *European Financial Services Roundtable* in March 2001, which has since published several reports which are meant to promote retail financial market integration in Europe[26].

This evolution may give the impression of an increasingly institutionalised European polity, where interest groups may progressively take a central role comparable to that played in domestic contexts. Much of the “network governance” literature suggests this is the case (for an overview, see Eising & Kohler-Koch, 1999).

We argue, however, that even after learning and instutionalisation, European Union politics remains unstable and unpredictable for interest groups, mainly due to the characteristics of the policy process and “garbage can” policymaking (Richardson 1996). While it is often assumed that the Commission and EU policymaking are still in an “infant” stage, it is more likely that these are long-term structural characteristics related to the overall institutional architecture of the EU polity.

There now are an ever increasing number of permanent and quasi-permanent committees, more or less “official” experts and other signs of the institutionalisation of the relationship between EU institutions and interest groups. From latter’s point of view, motivations may well be close to what IPE-authors suggest: accessing information and influencing outcomes. While there is quite some evidence concerning the first element, it is always very difficult to “prove” the second. However, as mentioned earlier, in order to develop optimal lobbying strategies, interest groups need a stable political environment and precise knowledge about the way in which decisions are taken, the people or the institutions that take decisions and the ways of accessing them.

This knowledge is shared by an increasing number of interest groups officials both for the Commission and the Parliament. The problem is that this leaves out a central institution of the EU policy process: the Council of ministers, not to mention the European Council. While some lobbyists now target member states’ permanent representations in Brussels, most admit that this is the major factor of instability and unpredictability. On the one hand, agreement among member states may substantially shorten the policy process. On the other hand, agreements found with Commission officials after years of consultation and hearings may be overthrown by a single member state government. Our research provides examples of both.

The Lamfalussy Report, for instance, has accelerated financial market integration in the EU very strongly by creating the “fast-track” legislative procedure and announcing a new time-table for the completion of an integrated EU capital market. The adoption of the framework proposed by the Lamfalussy Committee (Lamfalussy 2001) at the Stockholm European Council has cut short to consultation procedures that had been under way for several years and advanced the deadline fixed by the Financial Services Action Plan by two years to 2003.

While there has been some criticism of the very complicated four-level architecture of the fast-track procedure by some interest group officials, the overall reaction has been very positive. This has not been the case for the "market abuse directive". Here, too, an agreement found among member states – in the context of the Enron affair - has considerably shortened existing consultation procedures. In particular, agreement was found before the existing "forum group" on market abuse had drafted any conclusions or comments. In this case, interest groups complained about this acceleration, essentially because the new regulation is considered to be too severe.

The reasons which may push member states to change their minds on a particular issue depend on a great number of factors. Domestic considerations, such as the sudden politization of a policy issue in the domestic context, may force the final outcome to diverge strongly from the Commission's – potentially interest-group influenced – proposals. The EU policy process thereby maintains a two-or-more-level character that is a constant threat to interest group interests and to the "worth" of their privileged contacts at the Commission and/or the Parliament.

Moreover, both cases well illustrate the profoundly ambiguous attitude of the Commission. On the one hand, it creates forums to compensate for missing expertise and, as mentioned above, to give greater weight to its proposals through a representative sample of European firms. On the other hand, however, once the green light is given by the Council, the Commission will usually not hesitate to "betray" those contacts and "partners" in order to further its own competencies and European integration in general. Existing contacts – be it forum groups, hearings or any other form of consultation – will then rapidly be "forgotten", even if committees are rarely disbanded.

While the Commission's opportunism has often been mentioned and analysed, it is important to underline it with regard to interest group politics. The fact that the Commission turns out to be a fragile ally puts interest groups at permanent disadvantage. While they may be granted access to the Commission in particular, ultimate "success" as can be demonstrated if not proven at national level is largely unlikely and cannot be empirically observed at the EU level.

Exceptions to this rule exist, of course, precisely through special legislative procedures, such as Lamfalussy's "fast track", where the Council accepts beforehand an institutionalised role for private interests. The Council's acceptance or refusal of interest group influence will therefore be crucial to understand and interpret the policy process and its outcomes.

Conclusions

This paper is profoundly sceptical of theses stating that European integration may be explained mainly through major economic actors' interests. It remains a very political process in the sense that political institutions such as elected governments and, to a lesser extent European institutions, remain the central actors and are likely to do so for some time. While economic integration remains at the centre of this process, it is nevertheless governments who chose the EU as the main institutional framework within which integration is to take place. Our point of view is, thus, closer to "classical" intergovernmentalism than to the liberal one. States and administrations are actors on their own whose core is usually not hollow at all and who will often use and abuse interest groups in a strategic way to further their own interests.

The main limitation of our explanation is that it derives from field work in a very special and sensitive area: banking and financial regulation. This has long been a "sheltered" area, which especially European continental countries have chosen to protect from outside influence and international competition. Liberalisation, starting in the 1980s, has not fundamentally altered national financial systems. It is only in the nineties with the perspective of changeover to the single currency that something like a single market in financial services started to emerge.

It is therefore clearly a latecomer in European integration and therefore unlikely to resemble any more anciently integrated areas. My hunch is rather that this model-to-be of EU interest group politics may help to understand politics and policymaking at a meso-level centred around new and emerging policy issues. Further research may also concentrate on the particular interest group politics configurations as a response to specific policy types. Starting from Lowi's classical work (1964), this would mean that it would have to take into account the specific and unique intermediate variables of EU policymaking as opposed to domestic policymaking.

NOTES

[1] Haas (1958: 352). Jean Meynaud and Dusan Sidjanski, are more cautious. They state that it was not business who drove political integration, but it was also political integration which pushed economic integration (1967: 207).

[2] Hoffmann does not deny the existence of spill-over effects in the economic sphere but its capacity to « spill » into the political sphere (1965, 88-90). For Hoffmann, the « nationalism » of General de Gaulle is representative of the profound convictions of all heads of state or government, even though they may not all be willing to demonstrate the same way (1965: 92).

[3] See especially Mazey & Richardson (1993), cf. also Greenwood, Grote & Ronit (1992), Schendelen (1993), Pedler & Schendelen (1994), Greenwood & Aspinwall (1998), Greenwood (2002).

[4] According to Kohler-Koch, "There is little consensus about the importance of different groups, about the influence they have on EU politics and policies and the effects of their activities for European integration" (1994: 166).

[5] Hefeker states that only big and major banks are likely to support European integration, while the smaller ones are likely to fall victim to increased competition and therefore likely to oppose further integration (1997: 70-83).

[6] The contribution by Mazey and Richardson (2001) to the last major contribution to the supranational-governance literature does not actually address these problems. It does, however restate the "promiscuous" character of EU policymaking, to which we will come back to.

[7] Two examples illustrate that point in our field. The former EU-lobbyist of the German savings banks in Brussels, has recently accepted the position of secretary-general at the European Co-operative Banks' Group. The former secretary general of the European Mortgage Banks' Association has become vice-director of the European Savings Banks Group. Both had made a banking career before going to Brussels, but arguably developed a specific competency in EU-affairs which is valued in an emerging European labour market for EU-affairs and lobbying.

[8] Most authors predict profound restructuring in a context of increasing competition. Cf. e.g. White (1998).

[9] Even when interest groups are granted access and listened to, they have trouble anticipating final policy outcomes; see Mazey & Richardson (1995).

[10] See for instance the typology of « modes of Europeanisation » by Balme & Chabanet (2001).

[11] Interview, ministry of finance, Paris, 21 february 2000.

[12] Cf. the first post-war project within the European Payments Union, the Comission's Action Plan of 1962, which suggested the year 1970 for the final changeover and, of course, the Werner Plan.

[13] Coleman mentions the overall preference for "esoteric politics", i.e. where "policy discussions [tend] to be rather private than public, informal rather than informal, and technical rather than political" (1996: 4; also see Moran 1991).

[14] « Patrice Cahart : un délai minimal de trois ans pour les banques », Interview, *Le Figaro*, 7 december 1994.

[15] Interviewees state that the very "pro-European" position of Deutsche Bank has to be put in the context of the bank's history and, especially, of the disastrous effects of the two world wars for the bank. European integration has thus come to be seen as the political insurance of the bank's business. This is said to be part of the firm's "culture". Interviews, DB Research, Frankfurt, 31 May 2001; Deutsche Bank, Brussels office, 26 June 2000; Association for the Monetary Union in Europe (AMUE), Paris, 30 November 1999.

[16] But see the attempt by Fligstein & McNicholl in Stone Sweet & Sandholtz (1998).

[17] Interviews with official of DG 2 (now ECFIN), Brussels, 27 june 2000; European advisor, Solomon Smith Barney, London, 28 february 2001.

[18] Especially, Solomon Smith Barney, Morgan Stanley Dean Witter and Goldmann Sachs.

[19] For instance BBA or AFB employ about 30 full time staff, while the German BDB employs 120. The biggest German association, the savings banks' association (DSGV) employs more than 300 (!) full time staff, which is partly explained by training tasks that DSGV is responsible for.

[20] Interviews, German association of public banks (VÖB), Brussels office, 12 April 2000 ; German savings banks' association (DSGV), Brussels office, 11 April 2000; Landesbank Berlin, Berlin, 6 march 2000; VÖB, Berlin office, 9 March 2000. Officials at both DGs have denied such accusations.

[21] And soon to be again, after the French regulatory authorities finally accepted the merger with *Crédit Lyonnais* on March 14, 2003.

[22] This is admitted by the representatives themselves. Interviews, Fédération nationale du Crédit agricole, Paris, 31 March 2000 ; DG Internal Market, Brussels, 27 June 2000.

[23] Cf. for figures on this Commission support to public interest groups, cf. Greenwood & Aspinwall (1998: introduction).

[24] This area has long been subject to informal arrangements. Only in 1999, a Council regulation institutionalised the existing procedure. Cf. Council Regulation (EC) No. 659/1999 of 22 mars 1999 laying down detailed rules for the application of Article 93 of the EC Treaty.

[25] Cf. Commission Decision 95/547, 26 july 1995, point 5.1.

[26] These can be downloaded from http://www.efsrt.org/

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Word count: 7985 words (excluding front page)