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Comments most welcome

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

Abstract:
This paper argues that the most recent updates of classic integration theory tend to overstate the role of economic interest groups in European integration. Both "liberal intergovernmentalist" and "supranational governance" approaches see major economic interests – either national or transnational – as the main explanatory factor of European integration in the first place.
Our view challenges both strands of literature and argues that economic interest groups are unable to act in a utility-maximising way in a context of political uncertainty. European integration puts interest groups under "stress": their knowledge about the political system and their political strategies are flawed by the emergence of European levels of governance. In such a context interest groups will usually strengthen relations with national authorities.
Interest groups must undergo learning processes to understand European policymaking, which is facilitated by the institutionalisation of European levels of governance. Only once they have adapted, they will be able to return to utility-maximising strategies of political representation.
This paper draws on extensive field work on banking interest groups in France, Germany and the UK.

Most people – academics or not – would agree with the statement that "economic interest groups are politically powerful". Such a general statement, however does not allow deriving precise hypotheses about the way in which economic interest groups influence politics. The first question concerns the level of interest group intervention: agenda-setting, policy-formulation, decision-making etc. The next problem concerns the degree of institutionalisation of relations between interest groups and public authorities. Then you need to figure out how exactly interest group power materialises: is it their pressure on political institutions or is it political institutions will to take into account interest groups' interests? And how do you measure it?

The question of the power of interest groups was central to early works on European integration such as those by Haas and Lindbergh. 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 – in the weberian sense – explanation of interest group attitudes to European integration is provided by authors in the field of International Political Economy. In this tradition European integration is understood as a trade agreement favoured and promoted by those sectors of the economy that benefit from it and opposed by those who are disfavoured by it. This view has inspired most of Andrew Moravcsik's liberal intergovernmentalism. More surprisingly, contemporary works in the supranational tradition largely accept this view and only differ on the degree of autonomy of supranational institutions and much less on the actual role of interest groups in European integration. Both appear to agree that it is crucial.

This paper adopts a largely sceptical view on interest groups power which contrasts with both works in the intergovernmental and in the supranationalist tradition. We argue that economic and, more specifically, financial interest groups are unable to state their interests in a changing political environment. 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, very much helped by those institutions and the EU Commission in particular and 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 rendering long-term relations between interest groups and EU-institutions very difficult and opaque for the former.

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. Many insist on the importance of EU lobbying and its « explosion » since the Single European Act, be it Eurogroups[1], lobby consultants, public affairs specialists, public relations, EU offices and any other type of EU interest representation. Much of the newer work tries to apply national concepts to EU politics: such as 'euro-corporatism'[2], 'transnational pluralism'[3]. In the nineties, interest groups research forcuses mainly on collective action problems at EU level[4]. This work avoids the question of the actual influence of interest groups and their role in European integration[5].

This neutrality is all the more surprisig that these question were at the centre of the founding works on European integration. Haas, in particular, predicted an incremental transfer of interest group activity to the furture political centre of the European Community and even the emergence of an "industrial ideology transcending national frontiers" [6]. This view of things is strongly contested by Hoffmann, who restates the autonomy of politics with regard to economics[7].

[1] For a complete list of Eurogroups, see the Commission's directory, « CONECCS »: http://europa.eu.int/comm/civil_society/coneccs/index_fr.htm.

[2] Swein Andersen & Kjell Eliassen, "European Community Lobbying", *European Journal of Political Research*, Vol. 20, 1991, p. 173-187.

[3] Streeck, Wolfgang & Schmitter, Philippe, "From national corporatism to transnational pluralism: organized interests in the Single European Market", *Politics & Society*, Vol. 19, No. 2, June 1991, p. 133-165.

[4] TSonia Mazey & Jeremy Richardson (eds), *Lobbying in the European Community*, Oxford, Oxford University Press, 1993, 263 p.; also, cf. Justin Greenwood, Jürgen Grote & Karsten Ronit (eds.), *Organized interests and the European Community*, London, Sage, 1992, 282 p. ; M.C.P.M. van Schendelen (ed.), *National public and private EC lobbying*, Aldershot, Dartmouth, 1993, 291 p. ; Robin Pedler & M.C.P.M. van Schendelen (eds.), *Lobbying the European Union : companies, trade associations and issue groups*, Aldershot, Dartmouth, 1994, 311 p. ; Justin Greenwood & Mark Aspinwall (eds), *Collective action in the European Union : interests and the new politics of associability*, London, Routledge, 1998, 238 p. ; Justin Greenwood, *Inside EU trade associations*, Basingstoke, Palgrave, 2002, 192 p.

[5] 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", Beate Kohler-Koch, "Changing patterns of interest intermediation in the European Union", *Government & Opposition*, Vol. 29, 1994, p. 166.

[6] Ernst Haas, *The Uniting of Europe. Political, social and economic forces 1950-1957*, Stanford, Stanford University Press, 1968 (2nde éd., 1ère 1958), p. 352. Jean Meynaud et Dusan Sidjanski, are more cautious. They state that it was not business who drove political integration, but it was also political integration who pushed economic integration ; cf. *L'Europe des affaires. Rôle et structure des groupes*, Paris, Payot, 1967, p. 207.

[7] Hoffmann does not deny the existence of spill-over effects in the economic sphere but its capacity to « spill » into the political sphere. Stanley Hoffmann, "European process at atlantic crosspurposes", *Journal of Common Market Studies*, Vol. 3, No. 2, 1965, p. 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, op. cit., p. 92.

Contemporary work inspired by neo-functionalism remains largely silent on that point. The recent work by Stone Sweet and Fligstein sees interest group support to European Integration as an a-priori element of their own research. While the underlining the autonomy of community institutions with regard to member states, they admit that institutionalisation in the fist place is due to : "indivdiuals, groups and firms who transact across borders"[8]. This in turn is identical, as we will see, with the more elaborate explanation that liberal intergovernmentalism refers to.

Liberal intergovernmentalism, on the other hand has provided a very powerful theory of interest group behaviour and attitudes toward European Integration. Put simply, Moravcsik states that it were 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[9] and on Economic and Monetary Union[10]. 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[11].

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[12]. "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[13], the "specific-factor approach" allows for differentiation within particular sectors[14]. Economic actors are engaged in a variety of activities which structure their time horizons. While some type of investments allow for rapid change, retreat and re-investment, others force a certain rigidity upon investors. As a consequence of such differences, rapid liberalisation may favour some actors at

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[8] Wayne Sandholtz & Alec Stone Sweet, *European integration and supranational governance*, Oxford, Oxford University Press, p. 4.

[9] op. cit., p. 344, 346.

[10] op. cit., p. 403, 408, 423.

[11] Wolfgang Stolper & Paul Samuelson, « Protection and real wages », *Review of Economic Studies*, Vol. 9, Issue 1, November 1941, p. 58-73.

[12] Jeffry Frieden, "Invested interests: the politics of national economic policies in a world of global finance", *International Organization*, Vol. 45, No. 4, Fall 1991, p. 435.

[13] See Rogowski, *Commerce and coalitions*, op.cit, p. 18-19.

[14] See Frieden, "Invested interests", p. 444.

the expense of others, creating coalitions of actors lobbying in favour of more liberalisation and coalitions of more reticent actors[15].

Applied to European integration, it will be mainly big inancial firms which possess highly mobile capitals and which are already engaged in "transborder transactions" who will lobby in favour of further integration. To these actors an integrated market provides superior investment opportunities and portfolio diversification. At the same time, smaller banks with less mobile capital and rather little international business are likely to be more reticent.

This analysis may appear functionalist to some, but has the great advantage of providing a clear explanation of interest group attitudes and behaviour as well as testable hypotheses. Several shortcomings must be pointed out though. The first problem concerns the assumptions that attitudes will necessarily lead to a certain type of behaviour – lobbying in favour or against liberalisation. This would mean that economic actors and economic interest groups – the latter being the instruments of the former – are able to measure in advance the chances of success of the third or fourth project of monetary union in post-war history[16] as well as the benefits they will derive from it. A second problem, concerns the fact that economic actors, once they recognise their interest will be able to act accordingly and defend their interests convincingly at any institution and in any political context. Both these problems are due to the third shortcoming : the fact that institutions (and other mediating factors) do play no role at all in this approach. Neither states nor supranational institutions possess any autonomy in this model: they just register interest group competition at given moment. Governmental decisions are therefore little more than the "the resultant of effective access by various interests"[17] to governmental and community agencies and institutions.

We thus witness a strange and even surprising consensus concerning the role of economic interest groups in European integration. The two main "schools" 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 actually explicitly stated only by liberal intergovernmentalism and IPE, while it is an a priori assumption of recent supranationalist approaches.

[15] 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. Carsten Hefeker, *Interest groups and monetary integration. The political economy of exchange regime choice*, Boulder, Westview Press, 1997, p. 70-83.

[16] After the project developed within the European Payments Union in the fifties, the Commission's Action Plan in 1962 and the Werner Report in 1970.

[17] David Truman, *The Governmental process. Political interests and public opinion*, New York, Alfred Knopf-Borzoi Books, p. 507.

2. Towards an alternative theory of the role of economic interest groups

We reject this academic consensus and we will try to develop an alternative view of economic interest groups, which is to a certain extent inspired by "classical" integovernmentalism's skepticism about the autonomy of economics with regard to politics. More precisely, our approach attempts integrate neo-institutionalist elements into IPE.

Our aim is clearly no to "falsify" political-economic approaches. In a context of increasing professionnalisation, interest group officials are more and more competing with professional lobbyists and thereby force to act as service providers in an ever more open market for such services. Regular evaluations of strategies and results are now common place even within the oldest "Eurofeds", "organic" representation is now the exception. It is therefore necessary to take into account the actors will to act in way which favours the commercial interests of their bosses, their members or their clients[18].

The real problem is not the existence or not of economically rational behaviour, but the many obstacles that may complicate the realization of objectives or even the identification of objective interests. A major exogenous choc such as the emergence of a European level of governance in 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"[19] on interest groups whose acquire knowledge and know-how about polity, politics and policy may thus suddenly be depreciated by such an external choc.

More specifically, it may increase uncertainty concerning strategies and lines of action for all actors. Even everything is done to come up with an adequate response to the new situation, this may prove do be difficult, if change affects the whole political and economic environment of actors. Several sources of uncertainty may be identified. The first comes simply from the ignorance of EU institutions and policies. In that case, it will be difficult to evaluate economic or political opportunities arising from EU integration, to recognize interests and to defend it. Second, the policy issues themselves may be a major source of uncertainty. One example of such a choc may be Economic and Monetary Union, which was unlikely to be "understood" in terms of past experience for most economic or financial operators[20]. Third, even when contacts exist,

[18] Dans une logique proche de l'idée de « l'encastrement de l'économie dans les sciences économiques » de Michel Callon, nous entendons prendre très au sérieux les objectifs affichés des acteurs pour comprendre leurs motivations individuelles. Cf. Michel Callon « The embeddedness of economic markets in economics » in Michel Callon (ed.), *The laws of the market*, Oxford, Blackwell, 1998, p. 1-57.

[19] Cf. Dirk Lehmkuhl, « Under stress : Europeanization and trade associations in the member states », *European Integration Online Papers* (EIOP), Vol. 4, No. 14, 2000, 14 p.

[20] Most authors predict profound restructuring in a context of increasing competition. Cf., par exemple, William White, "The coming transformation of continental European banking?", *BIS Working Papers*, No. 54, June 1998, 45 p.

the characteristics of the EU policymaking process make its results very difficult to anticipate, not to mention the fact, that they are largely excluded, still today, from the actual decision-making stage[21].

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 thus highly unlikely that these actors push for specific outcomes.

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 national concertation and coalition-building. The identity factor 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 "normal business": learning and institutionalisation. As to learning, it is much-debated term and we have chosen to adopt a minimalist definition. This is not to ignore more elaborate approaches of knowledge in the policy process[22]. The kind of uncertainty that we are dealing with here is very remote from policy contents such as in epistemic communities or advocacy coalition frameworks. It is only about the ignorance of European alternatives to existing national arrangements. Following Scharpf, we define learning by discovering previously unknown solutions to existing problems[23], 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 institutionnalisation. However, in this context, institutionnalisation 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 extend its own policy competencies, as well as try to build up a "constituency" by contacting interest groups, creating discussion forums, consultative committees etc.

[21] Even when interest groups are granted access and listened to, they have trouble anticipating final policy outcomes; see Sonia Mazey & Jeremy Richardson, "Promiscuous policymaking: the European policy style ?" in Carolyn Rhodes & Sonia Mazey (eds.), *The state of the European Union, Volume 3*, Boulder, Lynne Riener, 1995, p. 348-351.

[22] Cf. the very useful survey by Claudio Radaelli, "The role of knowledge in the policy process", *Journal of European Public Policy*, Vol. 2, No. 2, June 1995, p. 159-183.

[23] Fritz Scharpf, *Games real actors play. Actor-centered institutionalism in policy research*, Boulder, Westview Press, p. 63.

It is only once this double process is well under way that national cleavages may increasingly be replaced by transnational cleavages. Europeanised actors, strong enough to survive competition[24] 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 three phases in the "Europeanisation" of interest group activity that may be extended to most new policy issues, while our examples are drawn from our field work in the area of financial and banking and regulation. A first phase is likely to see the national cleavage reinforced and sometimes even created, but this may also be the starting point for learning processes. A second phase may see actors putting into practice new strategies and policies being institutionalized. Finally, the third phase will be characterized by the emergence of truly European cleavages among national interest groups.

Phase 1: Uncertainty and national coalitions

This phase is characterized by the predominance of national cleavages at the expense of transnational economic interest. In some cases and for some actors, the Single Act has been the first time they had to confront international politics in any significant way. The Single Act has thus first of all helped domestic actors and especially interest groups to become aware of international competition. Without any specific knowledge about EU political policy processes and institutions, however, no strategy could be developed. The urgency of a political answer to the Single European Act 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[25], but, on the contrary, may serve as a starting point to redefine business-government relations in some cases such as statist France in the mid-eighties. Interest groups are thus confined to domestic strategies but may take benefit from that for 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.

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[24] If one wants to integrate more cognitive elements : it may be interesting to stress the importance of the *perceived* strength of actors.

[25] See for instance the typology of « modes of Europeanisation » by Richard Balme and Didier Chabanet, *L'action collective en Europe*, Paris, Presses de Sciences Po, introduction.

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". Differences are strong however as far as the relative autonomy of interest groups are concerned, following classical patterns of interest group organization and business-state relations in the UK, France and Germany. Germany proves able to manage the within existing frameworks such as the banking roundtable *ZKA*, which is extensively consulted by public authorities. France, unsurprisingly, will have to realize substantial changes. Reforms started in 1984, but the banking sector is still far from independent from public intervention and interest groups most of all serve the purpose of transmitting government statements to banks. The case of the UK is somewhat special in the sense, that the City has been traditionally very independent and even "corporatist", according to Moran. However, a process of reform has started in 1979 which has 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 will be an important and significant occasion also for British groups. 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[26].

Even if the expression "battle of systems"[27] probably overstates the inner coherence of the financial systems in the three countries, it is striking that for a limited period, domestic interest groups forget their feuds and conflicts to achieve a "national position" towards Brussels, even if the degree of specificity of that position varies strongly, the French one being the less precise one[28].

Monetary union, which has been at the centre of many speculations, 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 liberalisation[29]. Frieden admits, though, that evidence of mobilisation is scarce[30].

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[26] Daphné Josselin, *Les réseaux en action. Paris, Londres et la construction du marché unique financier*, Paris, L'Harmattan, 1996, p. 142-144.

[27] Jonathan Story & Ingo Walter, *Political economy of financial integration in Europe. A battle of systems?*, Manchester, Manchester University Press, 1997.

[28] This is clearly an empiric illustration of Putnam's « two-level game ».

[29] Jeffry Frieden, "The impact of goods and capital market integration on European monetary politics" in *Comparative Political Studies*, vol. 29, no. 2, April 1996, p. 203 ; Hefeker, *Interest groups…*, op. cit., p. 80 ; voir aussi John Woolley, « Policy credibility and European monetary institutions » in Alberta Sbragia (ed.), *Euro-politics*, Washington, Brookings Institution, 1992, p. 157-190.

[30] Frieden, « Invested interests… », op. cit., p. 448. Barry Eichengreen & Jeffry Frieden, *The political economy of European monetary unification*, Boulder, Westview, p. 95. A recent publication, however, presents the « support of powerful economic interests » as one of three main factors that made the Euro possible, the two

Our own research tends to show, on the contrary, that at least banking interest groups avoided taking any public stance on EMU and the mobilisation was quasi-inexistant. In fact the uncertainty created by EMU was much more important that in the case of the SEA and also content-related. EMU is a "change of scale" [31], while the project's calendar is rather long term and past experiences have shown that monetary unions are difficult to implement[32]. Banking interest groups therefore adopted a "wait-and-see" approach in all three countries.

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" [33]. Globally in favour, French bankers are mainly concerned about the costs of the changeover and entirely trust the state with defending their interests. The situation is not altogether different in Germany, where many actors, following the Bundesbank, have mixed feelings about giving up the Deutsche Mark[34]. In the UK, the *British Invisibles European Committee* (BIEC) deals with the issue of EMU, but the true issue at the time of the Maastricht Treaty is the joining of the European Monetary System. In order to avoid being left out of debates, BIEC will support the Treasury's "hard ecu" proposal. Once again economic interest groups do not try to push for a particular outcome but, in all three cases, align on the positions of domestic political institutions.

While this phase appears to be linked strongly to the SEA as the origin of most EU policy areas, this historical link should not be overstated. There is no reason to assume that any new policy domain should be substantially different from what happened in the area of banking interest groups during SEA. Other areas, such as agriculture have been integrated much more early on, while others, like financial markets, have followed much later.

Phase 2: Learning and institutionalisation

The "nationalist" character 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 is clearly a first form of Europeanisation, a recognition of Brussels' importance for domestic actors that cannot be but transitional. It is the shield behind

other beeing « the searche for credibility in fighting inflation » and « the wider links to European integration ». Cf. Jeffry Frieden, "The Euro: Who wins ? Who loses ?", *Foreign Policy*, Autumn 1998, p. 26. See also Jeffry Frieden, « Real sources of European Currency Policy: sectoral interests and monetary integration », *International Organization*, 56, 4, autumn 2002, p. 831-860.

[31] Entretien, ministère des finances, Paris, 21 février 2000.

[32] 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.

[33] « Patrice Cahart : un délai minimal de trois ans pour les banques », entretien, *Le Figaro*, 7 décembre 1994.

[34] Karl Kaltenthaler, *Germany and the politics of Europe's money*, Durham, Duke University Press, 1998, p. 109 et suiv.

which actors are granted temporary protection, leaving them time to build up their European resources in order to defend their interests themselves.

Even in France with its statist tradition, the government encouraged domestic firms to develop EU lobbying[35]. Put differently, this first defensive reaction is 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[36]. 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"[37].

All these elements are again present in the example of banking and financial regulation. Reactions are however at this stage more strongly determined by intermediate variables than in Phase 1. The capacity to adjust to EU-level policymaking procedures will depend on the overall flexibility of actors, their financial, organisational and intellectual or linguistic resources. This in turn may depend on the overall domestic institutional context. Finally, the EU is of course not equally open to all players. Therefore, those trying to develop veto capacities at EU-level may not be granted the same access to information than those unconditionally favouring further EU integration.

As to the first element, there is 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 tend to invite official 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 largely

[35] On this point, see Vivien Schmidt, Schmidt Vivien A, "Loosening the Ties that Bind : the Impact of European Integration on French Government and its Relationship to Business". *Journal of Common Market Studies*, 1996 34(2), p.223-254

[36] But see the attempt by Fligstein & McNicholl in Stone Sweet & Sandholtz, *European integration*, op. cit.

[37] Jeppe Tranholm-Mikkelsen, 1991, "Neo-functionalism: obstinate or obsolete? A reappraisal of the new dynamism of the EC", *Millenium: Journal of International Studies*, Vol. 20, n° 1, p. 15

predominant at the European Commission[38] has been long unknown in the French context and is only slowly emerging.

From that point of view, British lobbying and, more specifically, US-imported British lobbying 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[39]. 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 forward. Significantly, apart from the European advisor at Barclays, the other "specialists" that are regularly consulted, auditioned or who participate frequently in expert groups, are from the London offices of US-based banks[40].

German interest groups illustrate well the third point. Comparatively rich in terms of budget and human resources[41], 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 favour this "exernalisation"[42] of interest representation. The problem that some of the 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 EU state aid policies and principles. 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 Markt and DG Comp[43].

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, the Commission is mainly interested in expert knowledge, since it lacks the resources necessary to highly technical regulations that issues in very many policy areas. The Council instead is said to

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[38] See for instance the work of Pieter Bouwen.

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

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

[41] 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.

[42] Cf. Balme & Chabanet, *L'action collective*, op. cit.

[43] Interviews, German association of public banks (VÖB), Brussels office, 12 April 2000 ; German savings banks' association, 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.

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 remedy to remaining obstacles in the free provision of financial services across the Single Market. The Commission has created several "Forum groups" to involve industry in policymaking. The really interesting feature of this consultation process has been that the Commission for the first time in this policy area has been concerned with the representativeness of those expert committees. Remarkably, the then biggest French bank, *Crédit Agricole*[44], 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.
While this search for a representative sample of the industry is new in this area, the Commission has always tried to support a wide representation of interests, as its massive support to public interest groups of any kind demonstrates[45].
Put differently, the Commission must at all times take into account the three types of Access good, if it wants its proposals to succeed. 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 concerned with output legitimacy, but it cannot leave input legitimacy altogether to the two other institutions of institutional triangle.

Phase 3: Promiscuity, opacity and bureaucratic fragmentation (back to square one?)

This is not to say that Commission-interest groups relations haves substantially changed over the past fifteen years since the signing of the Single European Act[46]. Many elements tend to confirm the idea of long-term verification of IPE-hypotheses. Moreover, much of what has just been discussed not confirms will remain after phase 2 and become characteristic of what some authors like Kohler-Koch call the "European system of interest intermediation"[47]. The problem is that

[44] And soon to be again, after the French regulator accepted the merger with Crédit Lyonnais on March 14.
[45] Cf. for figures on this support Greenwood, Justin & Aspinwall, Mark, 1998, *Collective action in the European Union. Interests and the new politics of associability*, London: Routledge
[46] See especially Sonia Mazey & Jeremy Richardson, "Institutionalizing promiscuity : Commission-interest group relations in the European Union" in Alec Stone Sweet et al. *Institutionalization of the European Union*, Oxford, OUP, pp. 71-93.
[47] See the strong opposition to this by Sabine Saurugger, « A fragmented environment : Interest groups and the Commission's bureaucratic sectorisation », *Politique européenne*, n°5, automne 2001, p. 45-69

even after learning and institutionalisation, it would be wrong to assume that the EU polity comes anyway near an interest group dominated polity, in the way that critics have presented the US[48].

What is sure is that *some* interest groups have started to appreciate multilevel policymaking that has resulted from European integration in an ever increasing number of areas. Grande's has shown that European integration and multilevel policymaking may provide an opportunity for states to recover lost autonomy in the domestic context[49]. While there certainly are examples illustrating this kind of mechanism, this should not be generalised, as Kohler-Koch states. The problem, once again is that not all groups are equally well equipped to take benefit from multilevel policymaking[50].

The above quoted State aid policy in finance and banking provides a good illustration of this inequality in transnationalisation. The *Crédit Lyonnais* case, which has been the "school case" of state aid policy in this sector, has seen short-lived but effective alliances between single banks from different countries, as the Commission called for "interested parties" within its "formal exam procedure". For domestic banks it has slowly become a second nature to turn to Europe to solve domestic conflicts. The anti-bankruptcy plan presented by the French government was resented as to favourable to the bank by competitors. *Société générale* took EU opportunities very seriously and has several times initiated new procedures. 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 visible at this stage. A good example is provided by the case of German public banks. Those who have followed the issue of state guarantees in Germany closely know that the main opposition to this system in recent years has come from the bigger private banks and, especially, from the *Deutsche Bank*. However, the fact that the actual complained was filed by the *European Banking Federation* should not be underrated. Another case in line is the creation of the *European Financial Services Roundtable* in March 2000, which has since published to reports which are meant to show the benefits of retail market integration.

On several occasions national actors have taken interest on state aid cases concerning other countries. To give just one example, in the famous Crédit-Lyonnais case, "interested parties"

48 See especially, Theodor Lowi, 1979, *The end of liberalism. The second republic of the United States*, New York, Norton, 2nde éd. (1ère: 1969), 331 p.

49 See Edgar Grande, 1996, "The state and interest groups in a framework of multilevel decision-making: the case of the European Union" in *Journal of European Public Policy*, Vol. 3, No. 3, p. 318-338

50 See Beate Kohler-Koch, 1997, "Organized interests in European Integration: the evolution of a new type of governance?" in Helen Wallace & Alasdair Young (eds.), *Participation and policy-making in the European Union*, Oxford, Oxford University Press, p. 62.

came from several countries. 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*, the British and the Danish permanent representations[51].

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[52].

We argue 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[53]. 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.

In fact learning and institutionalisation as explained above are mainly related to the Commission and, to a lesser extent, to the European Parliament. Those processes have clearly transformed the relationship between interest groups and those institutions. There now is an ever increasing number of permanent and quasi-permanent committees, more or less "official" experts and other signs of the institutionalisation of this relationship. We are not going into any detail about the reasons for the *access* granted to interest groups by institutions, even though we mentioned that reasons are necessarily issue-specific. From the point of view of interest groups, 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 are 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.

On the whole this, knowledge is shared by an ever greater number concerning both the Commission and the Parliament. The problem is that this does 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

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

[52] A good overview is Reiner Eising & Beate Kohler-Koch (eds.), 1999, *The transformation of European governance*, London, Routledge, 320 p.

[53] Jeremy Richardson, "Policy-making in the EU: interests, ideas and garbage cans of primeval soup" in Jeremy Richardson (ed.), *European Union: Power and policy-making*, London, Routledge, p. 1-20.

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 at the Stockholm European Council has cut short to consultations procedures that have been under way for several years and advanced the deadline fixed by the Action Plan by two years to 2003.

While there has been some criticism of the very complicated four-level architecture of the fast-track procedures 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 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 too severe.

The reasons which may push member states to change their minds on a particular issue depend on great number of factors. Usually, they will just approve the Commission's proposal or only slightly amend it. Often however, domestic considerations, such as the sudden politization of a policy issue in the domestic context[54], 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 those forums to compensate for missing expertise and, as mentioned above, to give greater weight to its proposals through a representative sample of European banks. Especially, before the Council "national encompassing interests" are of great importance. They may also help to convince MEPs and even reticent economic actors.

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 of European integration in general. Existing partnerships – be it forum groups, hearings or any other form of consulation – will then rapidly be "forgotten".

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

[54] The German last-minute opposition to the takeover directive July 2001 is a case in line.

"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.

Exceptions to this rule exist, of course, precisely through special legislative procedures, such as Lamfalussy's "fast track" or the "social dialogue" in social and employment policies, 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.

This paper therefore is profoundly sceptical of theses stating that European integration may be explained mainly through economic interests' lobbying. It remains a very political process in the sense that elected governments 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 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 group in a strategic way to further their own interests.

Conclusions

This is paper still is at a very preliminary stage. It summarises the most significant results of our PhD and still needs a lot of refinement. Especially, I would be interested in field work confirming or invalidating our thesis.

The main problem with this approach 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, 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.