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WORKING DRAFT: COMMENTS WELCOME

**THE POLITICS OF CREATING A MARKET:
THE INTERNAL AND EXTERNAL IMPACTS OF STANDARDISATION**

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Paper presented at the European Community Studies Association
Biennial Conference, Washington DC, May 27-29 1993.

My thanks to the Centre for European Policy Studies (CEPS),
Brussels and the West European Studies Program, University of
Pittsburgh. In particular, Jacques Pelkmans, Senior Research
Fellow, at CEPS has provided numerous suggestions and ideas for my
research on standardisation. The European Community Studies
Association (ECSA) provided a travel grant to attend this
Conference.



Abstract

EC "standards" policy shapes the existence and functioning of the internal market. Increasingly, the EC relies on the distinctive capacities of private standardisation bodies to detail the conditions of entry into EC-wide markets. Private standards bodies determine the technical means to achieve minimum product standards. As a result, the Community could utilise the expertise of the private sector, while respecting the capacities of market competition for promoting innovation and disciplining performance. This increased reliance on the private sector in standardisation has contributed to the integration of markets beyond national boundaries.

Europe in short, is changing. The agreement of Community countries to implement common policies has diminished the independence of member governments, while the policies themselves have in some cases altered the traditional business-government relationship. This paper explores the politics between business and government in the area of standardisation.

However, the interests of business and government are predominantly seen through the lens of domestic politics. As a result, relatively little attention has been paid to the international dimension of EC regulatory policies. In fact, when the 1992 programme was first initiated, no explicit consideration was given to the external impact of European integration.

However, the interdependence of trade and regulatory policies is no longer confined to the EC; it is now a global phenomena. ⁽¹⁾ Moreover, in the case of standardisation, the shift in business-government relations profoundly affects the balance in state-industry relations in other markets. The EC objective to reduce or remove non-tariff barriers with the aim of achieving effective market access and greater transparency is a cost-free gain for third countries, especially the US and Japan. More importantly, the EC focus on standardisation as a tool for market access has prompted both the US and Japan to assess the adequacy of their standards process to meet the legal and commercial requirements of the marketplace.

¹. David Vogel "Environmental Protection and the Creation of a Single European Market" Paper presented at the American Political Science Association Annual Meeting, Chicago, August 1992.

Introduction

Technical standards as barriers to trade pose a great threat to the creation of an integrated market within the European Community. Fully two-thirds of the directives composing the "1992" programme are concerned with such barriers, with the expectation that their removal will greatly facilitate the market process. Though the expected gains of the "1992" programme have received considerable attention and analysis, the process by which this is to be achieved has received considerably less attention. ⁽²⁾

To rid the Community of national compartmentalisation, the general conditions, must be created for an integration of often quite disparate economic and social areas. Both business and government are involved in the process of shaping the conditions for market entry within Europe. The market that emerges is being shaped, fashioned and organised by the activities of business and government within the framework of the European Community. Business through its involvement in standardisation, is playing a significant role in creating the European internal market.

Standardisation is often referred to as a highly technical, not to say arcane area of regulatory activity. Although setting standards for products and services increases the reliability and certainty of market transactions, the activities of standards committees in shaping market entry and reducing barriers to trade is largely unobserved. The process of standard setting occupies a sheltered position in the landscape of regulatory politics. Industry-wide standards are developed by thousands of committees, that bring together the respective trade associations and individual firms to negotiate over the appropriate standard. Since the EC regulatory process allocates technical authority to private institutions, the setting of standards offers an insight into the broader relations between government and business by highlighting the interdependence between business, government and product markets.

This paper addresses the changing structure of relationships among government and business in the area of standardisation. The dimension of business-government relations addressed in this study, differs from previous studies that focus solely on the internal market developments within the context of the "1992" programme. In this policy area, the shift in business-government relations has added another dimension: the external impact of European policy choices. Largely because of the creation of a pan-European market, and the expected economic gains, the promotion of European standardisation can, and in this case has, promoted changing forms

². On the expected economic gains see, for example, Paolo Cecchini et al. The European Challenge 1992: The Benefits of a Single Market Wildwood House for the EC Commission: Aldershot, 1988.

of state support for industry in other markets. The American and Japanese experience is examined in some depth to illustrate their domestic response to expanding market opportunities within Europe. The analytical point is that European standardisation has affected business-government relationships in both the American and Japanese markets.

Economic Barriers to Trade

Standardisation is considered one of the key elements, if not the core, of the EC-92 programme. The establishment of EC-wide standards present the European Community with one of the most serious challenges in its drive to achieve a genuinely free internal market. Different national standards currently cost European industry 8 billion pounds per annum. The trade impeding effects of divergent product standards tend to be highly industry specific, so it is often difficult to generalise about them. In some product markets, the adaptation costs create serious inhibitions to imports. National markets may be dominated by an entrenched local standard that meets the preferences of the home customer. Since exporters rarely meet the corresponding market requirements of the importing country, the exporter is required to adapt their product to local industry standards. As the White Paper concludes:

"barriers created by different national product regulations and standards have a doubled edged effect: they not only add on extra cost, but they also distort production patterns; increase unit costs; discourage business cooperation, and fundamentally frustrate the creation of a Common Market for industrial products. Until such barriers are removed, Community manufacturers are forced to focus on national rather than continental markets and are unable to benefit from the economies of scale which a truly unified internal market offers". ⁽³⁾

The costs of exporting are increased for firms since products have to be redesigned or retooled to meet national product standards. The costs of producing different standards for export to other national markets are high, and in certain cases may exclude market entry altogether. While standards are only voluntary codes, they often assume a quasi-legal status because governments refer to them in regulations and insurance companies use them as a basis for assessing premia.

The continued development of national standards posed a serious threat to both the creation and maintenance of a common market. If member states were allowed to adopt their own product standards, such as vehicle emissions, member states with stricter standards

³. OJ No 1210/29, 25 July 1985

could exclude market entry to products from member states with weaker regulatory requirements. ⁽⁴⁾ In certain cases, the adoption of stricter standards is seen as a means by which certain industries are placed at a competitive disadvantage. Products from other member states could exploit the lower standards in their home country to gain access to the markets of member states with higher standards. Alternatively, competitive pressures may force member states to lower their standards, out of fear that lower standards may encourage firms to migrate to the most favourable location to exploit the lower compliance costs.

Yet the cost advantages of lower standards may be less advantageous if different national standards continue to act as cost increasing entry barriers. ⁽⁵⁾ Firms may continue to treat countries as separate entities and not base their strategies on the interdependencies between markets. ⁽⁶⁾ Moreover, the internal barriers and market segmentation that occurs as a result of divergent standards and regulations creates price discrimination and artificially high domestic market shares across European markets. The Commission's own report on "1992" found price dispersion across a number of sectors including automobiles, telecommunications and electronics. While one of the main targets for price discrimination for identical products across markets has been the automobile industry, differing standards are only one cause of the price differentials. Despite the complaints filed by the European Consumers Organisation (BEUC) in 1990 alleging that differences in car prices are excessive, the Commission argued that price comparisons are complicated by the differences in terms of tax levies, standards and the protection of domestic markets from Japanese imports.

Different standards also contribute to market segmentation, as producers may decide to sell predominantly in their home market. This is reflected in the artificially high share of domestic firms on their own markets in comparison to their foreign market share. Different standards for example, have contributed to the protection offered to domestic car manufacturers, particularly in Spain, France and Italy. To remove these barriers, the harmonization of standards and testing would permit access to all Community markets on the basis of a single set of tests.

Harmonisation of standards in the motor vehicles was held up by the trade policy debate about relations with Japan. The final three

⁴. Vogel (1992).

⁵. Filip Abraham "Building Blocks of the Single Market: The Case of Mutual Recognition, Home Country Control and Essential Requirements" University of Leuven

⁶. Abraham *ibid* p.8

standards were stalled for twelve years as a result of fears from French, and later Spanish and Italian auto manufacturers, that a single set of standards would increase external competition. Substantial lobbying by auto manufacturers in these three countries made it very difficult for agreement to be reached on the final three standards, until the Commission agreed to monitor Japanese imports. The possibility that EC-wide standards could result in parallel imports of Japanese cars from other member states to the protected countries of France, Spain and Italy terrified the domestic car manufacturers. However, agreement on the final three standards was reached in 1991. Following the decision that strict surveillance of markets protected from Japanese imports could be maintained by selective and exclusive distribution of vehicles in each country, the last three technical standards were adopted. Although the Community did agree to monitor Japanese imports until 1995, the conflict revealed the continued influence of business over the substance of public policy.

Regulatory Reform in the European Community

To rid the European Community of national compartmentalisation and gain the benefits of the free movement of goods and factors of production, the EC has felt it necessary to create European standards in order to ensure open markets. To achieve this, the EC has had no choice but to proceed through negotiated, multilateral adjustment. As the European Community has sought to extend its competence to regulate many areas of economic and social life through the internal market programme, new patterns of relationships between government, business and market structures are being institutionalised. The EC is effectively altering the policy parameters of the nation-state and creating more complex transnational regulatory structures.

New policies at the European level are liberalising the market for products, and shifting policy to the European level. In attempting to explain the dynamics of regulatory change, two factors have collectively shaped the single market for products. First, the changing balance of public and private power, whereby governments at the national level reexamined and fundamentally revised long established government policies of restrictive regulation and public ownership (⁷). In essence, the domestic political and policy changes provided the necessary preconditions for shifts at the European level. (⁸) Second, the recognition that technological

⁷. Martha Derthick and Paul Quirk The Politics of Deregulation Brookings Institution, Washington D.C. 1985

⁸. For a similar assessment in the telecommunications market see Wayne Sandholz "Institutions and Collective Action: The New Telecommunications in Western Europe" World Politics 45 1993, pp 242-270.

change requires common European strategies. ⁽⁹⁾ As massive investment (R & D) is required for the development of products, standardisation at an early stage overcomes barriers to interconnection. With rapidly changing markets, firms may elect to standardise in order to build an installed base of compatible standards. Business, knowing that incompatible products results in the loss of market opportunities, recognise the potential for common standards in emerging markets.

The Balance of Public and Private

National governments freed business from traditional central constraints over their actions by decentralising administratively, and deregulating and privatising economically. As governments increasingly recognised that the inefficiencies from government protection and oligopoly drove up costs, the extent and form of government regulation shifted direction. Consequently, government controls over several important sectors of the economy were reduced. Beginning with the deregulation movement in the United States in the late 1970's and early 1980's, the emphasis on market performance has led to a considerable amount of technology and efficiency gains that were copied to varying degrees by European governments. Pursued more vigorously in Britain, the shift towards deregulation and privatisation has become policy in other national economies as heavily regulated sectors faced mounting pressure to change as a result of liberalisation elsewhere.

Deregulation led national governments within Europe to liberalise monetary policy, end price controls and open up stockmarkets. Privatisation progressively diminished government control over industry in France, Spain, Italy and the UK. Even where companies remained nationalised, they were given a great deal of leeway from government intervention, as in the case in France. ⁽¹⁰⁾

As an example, the regulatory policies in the telecommunications sector, threatened the competitive positions of European manufacturers as costs remained two or three times higher than in the US and Japan. Separate national markets placed European manufacturers at a competitive disadvantage, whilst users were frustrated by limited access to the latest equipment and services available in other markets. In varying degrees, pressure upon national telecoms authorities from users and manufacturers to deregulate and integrate the separate telecommunications systems led member states to move towards deregulation in terminal equipment and value added services. The decisive shift to pro-

⁹. Jacques Pelkmans "A Political Economy of Technical Regulation" EC Workshop after Maastricht, Chicago 26-27 March 1992.

¹⁰. Vivien Schmidt "Industrial Management under the Socialists in France" Comparative Politics Vol 21, no. 1 October 1988.

market, less interventionist and deregulatory policies in the mid-1980's across Europe signified the shift from public regulation to private, more competitive forces.

The trend towards liberalisation at the national level prepared the ground for initiatives at the European Community level. Consequently, the 1992 programme struck a responsive chord, since opening the European economies to the stiff breeze of additional competition was a highly effective complement to enhance similar policies in the domestic economy. ⁽¹¹⁾ Given the domestic environment, pro-market regulatory reforms would not be meaningful without significant moves in the same direction for the internal market as a whole. ⁽¹²⁾

Technological Pressures

Secondly, the existence of multiple national standards may lead to problems of incompatibility across markets for current and future products and services. Among the most critical sectors for economic growth, the fragmentation in the telecommunications and related information technology markets placed European competitors at a comparative disadvantage with their American and Japanese competitors. Ten switching systems based on different national standards are needed to establish a common telecommunications system. The cost of compatibility in Europe is estimated at \$10 billion compared to the \$ 3 billion spent by three US companies to develop a common system and \$ 1.5 billion to do the same in Japan. The Cecchini report estimated that the cost of duplicative standards and restricted public procurement is as much as \$ 6 billion out of a \$ 20 billion market.

The absence of regional standardisation leads to significant technological product differentiation in the market. In certain circumstances, this can lead to incompatibility between networks. ⁽¹³⁾ Instead of inter-industry competition that generates price rivalry in the market, entrenched standards can stifle innovation and reduce technological options. Thus, a user may be locked in to a particular technical alternative. The costs of incompatibility within current technologies may be very high. For example, the installed base of colour television sets in the US today all use one set of standards, which are incompatible with many of the new high-definition standards (HDTV) available.

¹¹. Gary Hufbauer (ed) Europe 1992: An American Perspective Brookings Institution, Washington DC, 1990.

¹² Pelkmans (1992) p.2

¹³. Michael Colombe and Caroline Meyer "Seeking Interoperability: An Industry Response [European Community] EIPR: European Intellectual Property Review March 1990.

Market Management in the EC

In addition to the pervasive effects of technological pressure, changing patterns of market regulation at the national level in the mid-80's provided the groundwork for the shift towards European standardisation. While the domestically-generated change significantly reduced the role of the government in the economy, the direction of policy development at the European level was in sharp conflict. Efforts at the European level to tackle the barriers to trade created by divergent standards focused on comprehensive regulatory harmonisation of products. Initiated in 1968, this regulatory approach succeeded in harmonising a mere 270 products between 1969 and 1985. Political blockages were frequent as the working committees drafting the proposals were experts drawn from sectors with a vested interest in the outcome. Unable to achieve consensus within technical advisory committees, technical questions were subsequently transferred to the political level.

Strong resistance to many of these initiatives stemmed in part from domestic pressures to maintain distinctive national standards and to protect national markets. This national element was reinforced by seven years of almost unrelieved deflation, and recurrent balance of payment shocks, that squeezed the European economies. As a result, concerted efforts to reduce barriers and to expand the relevant markets from being domestic to becoming European in nature proceeded in an erratic fashion as governments resorted to repeated postponements in the Council of Ministers.

Since the regulatory capabilities of member states increased more quickly than those of the European Community, the European Community directives were often out of date by the time they were eventually adopted. Despite a concerted effort to eliminate the barriers to trade caused by divergent standards, markets, in the shape of new products and services, were outstripping the ability of policy-makers to draw up European standards. In the absence of agreed European provisions, national regulations were still being introduced, and the efforts of standards bodies were directed at the national level. By the mid-1980's there were only 150 (CEN) European standards, whereas the national standards institutes, DIN (Deutsches Institute fur Normung), BSI (British Standards Institute) and AFNOR (L'Association Francaise de Normalisation) had adopted 20, 000, 13,000 and 10, 000 respectively.

Until the early 1980's, the political inertia to foster EC-wide market integration was matched by a failure to understand the economic significance of removing these barriers to trade.⁽¹⁴⁾ The search for uniform product standards clashed with national preferences for particular rules and procedures and the defensive

¹⁴. Jacques Pelkmans Market Integration in the EC Den Haag, 1984. p. 1.

reflex of sheltered industries that struggled to maintain these barriers to trade. The intervention by the EC to establish uniformity of rules, and thereby condition the purchase, sale and production of products did not enable the internal market to function properly. After two decades of complex political manoeuvring, the EC had completed only 40% of the program to remove barriers to trade for interstate commerce. As the Commission acknowledged:

"experience has shown that the alternative of relying on a strategy based totally on harmonisation would be over-regulatory, would take a long time to implement, would be inflexible and could stifle innovation"

With the conviction that the internal market was not functioning properly, the question of the balance between public and private power had to be faced at the EC level as well. ⁽¹⁵⁾

The New Approach

The market liberalism which is shared to varying degrees by EC member states reflected the desire for better functioning markets. For these strongly interdependent economies, the shift to pro-market regulatory reforms and the promotion of market-rational behaviour, whether by private market actors or the government itself, provided the impetus for European policy change.

In 1985, the Commission adopted the new approach to technical harmonisation and standards. Consistent with the principles of deregulation, the new approach to technical harmonisation and standards shifted the mass of technical detail to private standards bodies. By limiting legislative harmonisation to health and safety objectives and by delegating the maximum possible competence for technical specifications to the private standards bodies, the division of labour between public legislators and private standards bodies follows similar policies at the domestic level. The EC context is thus greatly influenced by the mixed economy preferences of the member states. This changing balance of private and public power reflects the desire for more competition and better functioning markets, which during the 1980's has been a customary part of the domestic political landscape.

The new approach is a flexible instrument applicable to practically all sectors of industry and trade. The specific promotion of European standardisation radically cuts down regulatory costs. Member states are obliged to accept products manufactured in accordance to European standards comply with legislative objectives. The incentives that render the promotion of European standards effective is at the same time the central objective of

¹⁵. Jacques Pelkmans (1992).

the new approach, namely intra-EC market access. In such a system, the performance of private standards bodies is critical for the effective functioning of the internal market.

Flexibility and European Standardisation

Although the European standards bodies, CEN and CENELEC have existed since 1960 and 1973 respectively, the pressures to adopt European standards were initially limited since the European standards bodies had few points of contact with EC regulation. Until 1982, only ninety-six European standards had been adopted by CEN, and thirty seven standards adopted by CENELEC. As there was no connection to public regulation, the incentives to develop and implement European-wide standards were few.

Neither was there a desire on the part of CEN and CENELEC to play an active role at the European level. ⁽¹⁶⁾ The initiatives to set up these European standards bodies was not irrelevant or benign: the scope of EC intervention in shaping market activity threatened the position of business in setting standards at the national level. Well developed networks of standardizers in almost every conceivable subsector of industry and services made it difficult for foreign producers to penetrate the national markets. Consequently, the intensity of activity at the national level was threatened by the creation of a third standards layer between the national and international level. While their interests were far from identical, domestic-based companies preferred the status quo to the enactment of a European standards body. As many of the European countries had a large capital stock based on already existing national standards, it would be extremely costly to make adjustments, should an alternative European standard be adopted. ⁽¹⁷⁾ The national standards bodies pre-empted Community attempts to set up a European standards body, and in doing so were primarily protecting their own interests - which were not necessarily the same as the EC.

In spite of the existence of European standards bodies, the Commission made little use of them during the 1960's and 1970's. While technical and scientific staff continued to set national standards, management interest in standardisation with the exception of Germany was minimal.

Beginning in 1973, significant legislation under the low voltage directive shifted the balance of private power from the national to the EC level. The directive introduced an unprecedented policy innovation. CENELEC was to provide the European standards to meet

¹⁶. I thank Jacques Pelkmans for bringing this to my attention.

¹⁷. See Jacques Pelkmans and Declan Costello "International Product Standards: Trends and Issues" UNIDO (1991).

the legislative requirements. This Europeanization of standardisation marked the upsurge in private activity that was to continue under the new approach and the 1992 programme. The Low Voltage directive had introduced the concept of delegating the technical details - formerly dealt with by the Commission - to standards institutions. In addition, the legal security provided by linking EC regulation with European standards in the Low Voltage directive enabled CENELEC to systematically work on a European programme of electrical standards.

The new approach, anticipated by the low voltage directive, consists to a large extent in the replacement of a multitude of specifications contained in EC legislation by a few performance standards which a product must satisfy. The replacement of many government specification standards by performance standards represented a compromise between measures judged to be in the public interest, and those aspects which may be entrusted to technical bodies in which industry has a significant influence. Specifications worked out by experts within CEN and CENELEC provide the easiest way of proving compliance with the performance standards outlined in the directive.

The logic of the distinction between performance and design standards fits with the shift towards deregulation and privatisation in the national economies. Instead of telling a manufacturer how to produce a product through detailed specifications, performance standards foster flexibility and innovation, cut down red tape and thus reduce cost. ⁽¹⁸⁾

The Politics of the New Approach

In the space of only seven years the EC adopted eleven new approach directives applying to many thousands of products. The ability to achieve results under the new approach was in marked contrast to the legislative inertia of the old regulatory approach. What was unusual was not only the speed at which the directives were adopted, but their substance: in contrast to the directives adopted until the mid 1980's, these laws were of exceptionally broad scope. The toy directive covered an estimated 55,000 products, while the machine directive covered approximately 50,000 types of machinery.

The scope of activity in integrating product markets signalled that the new approach was somewhat stronger and more inclusive than its predecessor. Yet the practical challenges encountered by the Commission in implementing the new approach produced strong opposition from trade unions and business groups. In particular, the trade unions opposed the machinery directive, (88/) which represented the most important piece of legislation in terms of

¹⁸. see J. Braithwaite "The Limits of Economism in Controlling Harmful Corporate Conduct" Law and Society review 16 pp 481-500.

potential growth of intra-EC trade. Trade union opposition rested on the concern that the law covered the essential elements of safety design, but neglected rules for worker protection.

The European Federation of Trade Unions began to lobby actively for the inclusion of worker safety. Given the possibility that worker safety concerns could lead to the imposition of restrictive national standards on top of the EC proposals, and re-impose barriers to trade, the Commissioner for Social Affairs, Marin (DGV) intervened. By proposing common rules in five areas of worker safety, the complexity of the directive was increased and made it vulnerable to charges that the EC was reverting back to a heavy handed regulatory approach. Almost immediately, employers opposed the broadened coverage. The European business organisations, ORGALIME and CECIMO, representing machine producers, found themselves challenged by the demands for worker protection by the Commissioner for Social Affairs and the European trade unions.

The debate on common rules for machinery found the Commission caught in a crossfire between segments of the business community and trade unions. To facilitate cooperation, the Commission initiated a dialogue between the groups in 1985. Whatever initial opposition industry had expressed was dropped during negotiations between business groups and trade unions. For its part, the Commission was divided. The Commissioner for Social Affairs continued to advocate worker safety at the behest of the employee federations. The Commissioner for the Internal Market, Lord Cockfield, supporting industry, found himself sharing responsibility for an internal market issue with another directorate.

When the final drafts from both directorates were circulated among national officials, agreement on the proposals proved difficult, primarily because of differences between the German Ministry for Labour and the German Ministry for Economics.

The German Economics Ministry regarded the proposals as no more than a guarantee for market access, while the German Labour Ministry feared that the safety inspections would lead to lax enforcement in other member states, thus opening the floodgates to cheap, poor quality imports. Having successfully coordinated their efforts, the German Ministries then found themselves at odds with the British position. They disagreed over the content of the safety requirements. As a result, "London and Bonn are both busy rewriting the Commission's directive in ways that may not match".⁽¹⁹⁾ Agreement on machine legislation in 1988 addressed the concerns of both Britain and Germany. The Commission was able to persuade the Germans to conform to the proposed British guidelines in order to prevent the emergence of new non-tariff barriers. However, Germany did secure one concession: the Council agreed to further

¹⁹. Financial Times 6/13/88

negotiations for a separate directive on mobile machinery so that special safety rules advocated by Germany could be included.

Private Politics: The Standards Setting Bodies

Satisfactory implementation of European legislation is made more difficult by the need for agreement within European standardisation bodies. Although the standards organisations are better placed to carry out the technical detail that so taxed the Community, there is concern over the ability to supply sufficient numbers of high quality European standards within the necessary timeframe. Standards-writing is by its very nature a time-consuming, consensus-oriented activity. Until the European standards are available, the existing national standards will remain in place in those areas covered by the New Approach. As a result, the continued existence of national standards coupled with the absence of the appropriate European standard constitutes a significant obstacle to realising the benefits of a single EC market.

The series of political setbacks experienced by the EC were not confined only to the protracted negotiations over directives. The first concrete political expression of dissatisfaction with the practices of European standardisation were expressed by the EC Commission in 1988. ⁽²⁰⁾ The Commission disliked the fact that the membership of European standardisation was dominated by representatives of national standards bodies and urged an expansion of its membership to include direct participation by European-wide associations. However, this created considerable tension between the European Commission and the standards bodies, CEN and CENELEC. Initiatives by the Commission in 1988 to set up a separate standards institute for telecommunications, ETSI, further strained relations between the private and public sector. Opposition to the foundation of ETSI was expressed by the European standards bodies, CEN and CENELEC who feared that the Commission-backed telecommunications body would encroach upon or diminish their own authority.

The ETSI proposal was seen as a political move to sidestep the European Conference of Postal and Telecommunications Administrations (CEPT), which was seen as too closed and dominated by the postal and telecommunications authorities (PTT's). ⁽²¹⁾ At the same time, the creation of a rival standards institute gave the Commission more options in choosing whether standardisation activities may be assigned either to CEN/CENELEC or ETSI. Perhaps the clearest expression of Commission intent was the insistence on more flexible voting rules. ETSI's rules provided for national weighted voting if consensus could not be achieved. The primary

²⁰. Working Paper DG III 11/1/89

²¹. See Wayne Sandholz (1993).

political motive behind this move was to increase the pace of standardisation since the other standards bodies, CEN and CENELEC have voting rules that make it possible for a minority of interests to block the adoption of a standard.

Under pressure from the European Community to hasten the adoption of European standards, CEN and CENELEC agreed in 1986 to the introduction of a weighted voting procedure. Once a standard is agreed by the majority of the standards institutes of the EC it is adopted by all of them, regardless if they opposed the standard. Any conflicting national standard must be withdrawn. Under these circumstances, conflicts of interest emerge as firms push to have a familiar national standard adopted at the European level to retain a competitive advantage. At the same time, the competing national standards ensure that bargaining over the most appropriate standard promotes continuous adaptation of products to changes in technological opportunities.

Still, the interests represented in standards bodies are frequently in conflict. The interests of business are not monolithic: firms can use politics either to compete with each other or advance their collective interests. ⁽²²⁾ The most significant disputes may be those that are never raised. In some areas, the absence of standards may be a better indication of the depth of political divisions.

Even if entrenched interests are so strong that the issue is never raised, there are a few cases when pressures from certain business interests can lead to modifications and accommodation. Beginning in 1991, a controversy emerged over a policy decision based on the explicit trade-off between acceptable risk and the economic costs of meeting stringent standards. Different standards for motorcycles across Europe result in the construction of over 400 different versions for different markets. Proposals to develop European standards within CEN would enable different component parts to be sold throughout Europe without needing to manufacture to different national specifications. While not otherwise a controversial sector, the specific standard for motorcycle helmets is one of the most persistent sources of tension between the British Standards Institute and its European partners. Disagreeing with the proposed CEN standard on the basis of lowering the levels of protection that currently exist under British law, the dispute focused on the significant deterioration in safety posed by the European standard. Since the bulk of manufacturers meeting British standards were not domestic, the concerted opposition in Britain was not considered as a means of protecting domestic industry from competition. However, it is highly likely that standardisation will remain a contested process, since many of the disagreements, like the

²². David Vogel Fluctuating Fortunes: The Political Power of Business in America Basic Books Inc, New York, 1990.

motorcycle case, involve different assessments of health and safety.

The Green Paper

Although the internal operations of the European standards bodies remain a matter for private control, the standards bodies were caught off-guard by the publication of a Green Paper on the development of standardisation in 1990. ⁽²³⁾ The objective of the Commission's Green Paper was to improve the efficiency of the standards making process. Although, the Commission recognised that the volume of work undertaken by CEN and CENELEC had increased, the Commission blamed poor management and inefficient working methods within the European standards bodies for undue delay.

In one of the Green Paper's most controversial proposals, the Commission advocated that all interested parties organised at the European level should participate directly. Clearly, the move was an attempt to undermine the national standards bodies, who coordinated the work at the European level. With the exception of ETSI, which was already organised along these lines, standards bodies, trade unions and industry associations opposed the restructuring of European standardisation. National standards bodies urged their own governments to reject the proposal since it would disrupt further the process of developing standards for the internal market.

In its efforts to open the process of standardisation to more participants, the Commission felt it could rely on the support of European level industry associations. However, industry opinion showed strong support for the current organisation of standardisation. The position of the European Roundtable of Industrialists (ERT), was also supported by UNICE, the employers federation, which feared that the Commission's efforts to allow direct participation for industry groups would entail increased financial costs.

Not surprisingly, the Commission's follow-up proposals were more limited in scope. The follow-up to the Green Paper was a compromise: the standards bodies were asked to improve efficiency and use, where appropriate, industry associations to set standards, but they were not required to do so. The follow-up proposals aroused considerably less controversy, and recognised the efforts of European standards bodies in integrating the European market.

However, the emphasis on producing standards for the requirements

²³. COM (90) 456 October 1990; For an assessment of the politics of standardisation see Jacques Pelkmans and Michelle Egan "Fixing European Standards: Moving Beyond the Green Paper" CEPS Working Document No. 65.

of Community policy was not the only issue that concerned the Commission. After noting that European standards were to be based where possible on international standards, the tone of public criticism was primarily directed at Japan and the US for not recognising the opportunities for international trade that lay with international standardisation. This clear indication that the EC had not ignored the international implications of its activities, was at the same time a rebuff to both Japan and the US for their lack of commitment to international standardisation.

The External Dimension of Business-Government Relations

While the shift in government-business relations has focused attention on the importance of standardisation for European market access, it is also clear that the internal policies of the EC are having a significant impact on their trading partners. The adherence to harmonised European standards has obvious implications for intra-EC trade. However, harmonisation of standards opens up substantial possibilities for American and Japanese firms to capitalise on the advantage of EC-wide product standards and realise substantial economies of scale. This is particularly true of automobiles, telecommunications and pharmaceutical firms, since they are accustomed to operating on a continental scale. ⁽²⁴⁾ By providing an open common market, the EC in effect allows third countries to free ride on their collective efforts to remove barriers to trade. In the Commission's view, European standardisation is seen as a cost-free gain for foreign producers, reducing the variety of technical standards they have to meet when exporting to the European market.

Implications for the United States

No explicit consideration was given to the external impact of market integration under the 1992 programme. Still, the subsequent pronouncements of the EC about "Partnership Europe" not "Fortress Europe" did little to end the debate over the external implications of 1992. In the United States, the "internalised" standards-making process led the Americans to view the development of European standards as creating a "Fortress Europe". Sixty per cent of American business surveyed in 1988 felt that the process would increase protectionism.

European standardisation became an important source of friction between the EC and its major trading partner, the US. Limiting participation in European standardisation to national standards bodies within Europe made it much more difficult for American manufacturers to acquire access and influence. Both American business and the Administration actively lobbied the European Community to allow American firms to participate in European

²⁴. Gary Hufbauer (1990).

standards making. Under the leadership of Secretary of State Mosbacher, the United States initiated a series of bilateral negotiations on standardisation. According to Mosbacher, "standards, testing and certification are the no. 1 issue for American business". ⁽²⁵⁾ As the largest trading partner with the EC, American business is significantly affected by the changing rules within Europe. Of the \$ 83 billion US exports of manufactured goods, some \$ 48 billion will be subject to EC product safety standards. ⁽²⁶⁾

While initially responsive to the concerns of American industry that the process of standardisation in Europe was not transparent and open, the EC argued that the American demands for a "seat at the table" were inappropriate since the EC provides national treatment under the GATT Agreement of 1979. American demands were rejected since the European Community provides non-discriminatory access and equal treatment for third countries under the GATT Code on Technical Barriers.

Though refusing American business direct participation to the European standards process, the EC did allow for the exchange of information between the European standards bodies and the American National Standards Institute (ANSI). Indirectly, American firms could comment on European standards at the draft stage. Although a weaker point of access than the US requested, the compromise went a fair way to assuaging US concerns.

However, direct access to European standardisation was not the only US concern. The shift in focus of regulatory policies from the national to EC level meant that the bilateral agreements between the US and individual member states provided no comparative advantage for the US in gaining a foothold into other European markets. The EC regarded these bilateral agreements as primarily a means to ease access to one national market. The main concern for the United States was the increased costs for US companies who would have to go outside the US to get a product certified as safe, if mutual recognition of tests was not agreed within the EC. As a result, US companies would face higher costs than their European competitors. But the willingness of the EC to support mutual recognition of product testing was clearly not to be extended to the US without some form of reciprocity. Instead of negotiating directly with the US, the EC has linked the mutual recognition of testing products for safety to reciprocal treatment for EC test

²⁵. Joint Communiqué, May 30 1989, Brussels

²⁶. This section draws upon Jacques Pelkmans and Michelle Egan "Tackling Technical Barriers" Paper presented at the CEPS/CSIS Conference on Reconciling Regulation and Free Trade Brussels, December 8-10 1992.

centres in foreign markets.

This decision did not resolve the issue, but rather set the stage for further controversy. American negotiators found themselves under pressure to adhere to international standards. Since the European standards were to be based wherever possible on international standards, American participation in the international arena could lead to an indirect influence on the EC standards process. In response to US requests, the Commission and national policy makers urged the US to make a deeper commitment to the development and implementation of international standards. Compared to the EC, US standards making energies have been channelled through domestic trade associations. As a result, the US presence in the international standards bodies-the International Standards Organisation (ISO) and the International Electrotechnical Commission is weak. Less than 1 % of ISO/IEC standards have been formally adopted as American standards. Although, American standards bodies refute this figure, the level of involvement at the international level is distinctly lower than the EC and EFTA.
(²⁷)

Following EC assertions that the US makes very little use of international standards, Secretary of State Mosbacher pledged a renewed commitment to international standardisation. Clearly the commercial incentives to do so have increased as it is official policy of the Community to employ international standards, whenever they are compatible with EC legislation under the "new approach". At the same time, the political position of the United States is much weaker than that of the Europeans at the international level. Standards negotiated at the international level provide a built-in advantage for European business since they constitute a voting advantage of eighteen to one (EC and EFTA) over the US. With the possibilities that American interests will be continually out-voted, it has been difficult to persuade American industry that participation at the international level is in their best interest. Consequently, the focus of American industry on creating national standards is aided by the size of the American market.

At the same time, the difficulties in agreeing upon international standards at the product and the production process level should not be underestimated. As the preferences of the group members becomes more diverse, it becomes more difficult to reach consensus. Options and compromises to break deadlock result in standards that may not be uniformly implemented across markets. Due to their compromise character, many international standards are often minimum specifications for conducting international trade. In these cases, agreement is often easier, as the adjustment costs are

²⁷. See Pelkmans and Egan (1992) for further details.

lower. ⁽²⁸⁾ As the American trade association, NAM commented, "Using international standards is very difficult for us because often we don't use international standards in our own country, or frequently, international standards are not real standards; they are just parameters on which standards are based" ⁽²⁹⁾.

The Domestic Response

There is, however, another by-product of 1992 that is effecting American business: the emphasis on standardisation in the European Community has fueled a domestic debate on the need for improvements in the US system of standardisation. ⁽³⁰⁾ Although the form of the market is changing in Europe, the economics of the situation are clear. As business in Europe achieves multi-state access through a coherent set of standards, the American preference for private, pluralistic solutions has hindered coordination at both the national and international level. When asked to identify the major problems confronting access to the American market, standards was a prime issue. As one European business noted "the US system is a tangle of confusing, often poorly coordinated rules". ⁽³¹⁾

The nature of standards setting in the United States is best described as pluralistic. The American system is highly decentralised system with over 400 private organisations involved in standardisation activities. No single set of official national standards exists. Although most standardisation activity is concentrated in the largest twenty organisations, there is a great deal of overlap and disputes between these competing interests. As a result, the lack of a co-ordinated approach to standardisation means that overall economic objectives such as export promotion are not systematically developed. ⁽³²⁾

American standards bodies concentrate on setting specific standards for the domestic market. With growing economic interdependence, the

²⁸. see Pelkmans and Egan (1992); Pelkmans and Bohan "Removing Technical Barriers: Lessons for World Trade" Paper presented for the LSA/ISA-RCLS Meeting, Amsterdam, June 1991.

²⁹. Stephen Cooney "The Europe of 1992: Key Policy Issue for US Companies" Presentation to the Miles Conference on Trade Issues, March 1992.

³⁰. See Pelkmans and Egan (1992); Pelkmans and Egan Background Paper "Reconciling Regulation and Free Trade" CEPS.

³¹. Interview with BDI (German Federation of Industry) September 1991.

³². Pelkmans and Costello (1991); see also the section on technology transfer in Pelkmans and Egan (1992).

US has found that the commercial and legal requirements for market access have changed. American standards are no longer de facto world standards, as many other industrialised countries have successfully developed their own extensive standards systems. ⁽³³⁾

A decisive factor in the success of standardisation, especially in Europe, appears to be the focus on standardisation as a tool for access to new markets. The strategic effect of choosing a standard is critical for companies engaging in international trade, and increasingly for interoperability of networks. In contrast to the relatively limited aid provided by the US, European governments provide financial support to promote European standards. And once a standard is in place, trading relationships are locked in, so that the Europeans not only create a larger market for their products, but provide themselves with an excellent source of technology transfer.

The lack of leadership in promoting American standards globally has been linked with broader concerns about US competitiveness and export capacity. ⁽³⁴⁾ Testifying before Congress in 1990, the National Institute for Standards and Technology (NIST) proposed that a new government body should take over some of the functions of standardisation. Such a body would enhance US activities at the international level, and promote the coordination of activities at the national level. NIST's proposal met with strong opposition from trade associations and industry federations. Among those business firms responding to the NIST proposal, the majority reacted defensively, denying the need for government action. Instead, they continued to advocate the role of private, voluntary standardisation. Each time the government initiated a policy change in setting standards, opposition led by the American National Standards Institute, the "self-designated co-ordinator" of national standards, scuttled the proposals.

Others, reflecting on the growth of a world market for standards, were convinced that active government sponsorship was necessary. ⁽³⁵⁾ Yet standardisation, and industrial development in the US is managed, directed and financed primarily by the private sector. Any changes to this pattern would alter the balance of public and private power. The evident lack of support from business for increased government involvement was a major political setback. By explicitly refusing to allow government to regulate the multiple

³³. Pelkmans and Costello (1991)

³⁴. For a discussion of this see David Audretsch The Market and the State New York University Press: New York, 1989 especially chapter 1.

³⁵. Assistant Secretary Thomas Deusterberg Testifying to the House Committee on Small Business, 1990.

trade groups that set product and industry standards, the authority of the government in negotiating with the EC was effectively undermined. The federal government could not guarantee that all standards organisations across the US were equivalent. Since this was the pre-condition for allowing the acceptance of American products on EC markets, American business was faced with the possibilities of additional product tests to gain access to those markets.

Neither business nor government are well served by this relationship, as potential gains within the EC market are held up by the lack of business-government cooperation. The European standards bodies were increasingly frustrated by the inability of the American private sector to coordinate. By mid-1990, the appointment of a Federal Advisory Committee, began to focus on the effect of fragmentation for American industrial productivity and innovation. Their conclusions drew attention to the need for increased coordination between the private and public sectors in international and national standards activities. ⁽³⁶⁾

Perhaps the clearest expression of the change in US business attitudes towards government involvement occurred in 1992, when further initiatives from the National Institute of Standards and Technology (NIST) were proposed. For the first time, substantial segments of the standards community abandoned their commitment to a solely private-sector process. After initially rejecting government overtures in 1990 for increased business-government cooperation, US business testified in 1992 in favour of additional federal support. Reflecting the heightened concern that their products would have to be retested before they were marketed in Europe, American business sought government assistance in negotiating mutual recognition of testing and certification agreements with the EC. If the EC was creating a common market in products so that testing would be carried out in one member states where it was first marketed, American business would be disadvantaged if its own test results were not accepted EC-wide.

However, agreement between the EC and the US has proved difficult, primarily because of EC concern that the multiple private organisations in the US vary in quality. As the negotiations proceeded, US business recognised that any agreement with the EC would require assurance from the US government that the US private sector standards and testing bodies would meet European requirements. The EC's reluctance to accept the results of product safety tests conducted outside of Europe added to the trade

³⁶. Report to the Secretary of Commerce of the Federal Advisory Committee on the EC Common Approach to Standards, Testing and Certification in 1992, May 1991. The title is misleading since a large part of the report concerned US Government and private sector roles.

friction in this policy area.

In order to reduce the resulting competitive disparities that would occur if American testing of products was not mutually recognised in European markets, the government proposed in 1992, a program to assure the EC that the government would register those private organisations that met EC requirements. The proposed program, CASE, has received overwhelming endorsement from business and trade associations. Instead of opposing government intervention, business has decided to press for government recognition of their activities since it is in their interest to ease the cost of access to European markets.

Implications for Japan

The growth of Japan's economic strength, perhaps more than US competition, had propelled the EC into its 1992 program. Unlike the United States, however, the issue of European standardisation did not become as politically salient in Japan. In general, Japanese firms can "free ride" on the EC's internal liberalisation. Many European business commentators were politically troubled by the lack of reciprocal access to Japanese markets. Japan has however, responded to exogenous developments in other markets. Aside from modifying its restrictive regulatory policies in response to the complaints from foreign firms that some Japanese safety standards are too strict, Japan has increasingly focused on international standardisation activities. ⁽³⁷⁾

The Dirigiste Domestic System

As a result of EC and later US efforts to bolster the trend towards international standardisation, the incentives for Japan to participate at the international level have increased. Japan's standardisation system is however, distinct from most other OECD countries. As a result, product standards imposed by the Japanese government, which contain excessive restrictions and discriminatory provisions for certifying products have proved to be a particularly

³⁷. The development of HDTV for example has fostered strong commercial rivalries between Europe, Japan and the United States. The Japanese standard HI-Vision, introduced in the 1980's was proposed as a world standard to the CCIR. Since the worldwide market share for HDTV is \$6 billion, the standard adopted would place certain equipment and receiver manufacturers in a strong position to gain a significant market share.

difficult barrier to foreign competitors. ⁽³⁸⁾

Japan's unique system of standards confuses European manufacturers, since they have difficulty in distinguishing voluntary standards from mandatory regulations. The conceptual distinction, evident in European markets, between mandatory legal regulations and voluntary, industry standards does not hold in Japan. Moreover, Europe and Japan differ in how their product certification standards. For Europe, the rigorous certification procedures in Japan act as non-tariff barriers, in situations where in Europe, manufacturers would simply recall defective products. In this case, Japan's distinctive legal tradition hinders European market access as product liability law is less well developed than in the EC ⁽³⁹⁾.

Throughout the 1980's, many Japanese trade barriers became a major target of US and EC bilateral trade negotiations. Japanese product standards provide a formidable obstacle to exporters since these standards are mandatory and cover a wider range of products than those of its trading partners. Although some of the barriers relate to cultural differences, the major impediments to market access are structural barriers.

The Japanese Standards System is a highly centralised system that relies on close cooperation between business and government. Its organisation is significant in two respects. First, Japanese Industrial Standards (JIS) are developed by the Japanese Industrial Standards Committee, which reports directly to the Ministry of Trade and Industry (MITI). Second, JIS national standards require approval by the relevant ministries before they are adopted as Japanese standards. Equally important, Japan has engaged in a highly dirigiste policy by mandating that state and local public bodies must purchase products that meet JIS standards. Since only products that were produced locally could be tested and given the JIS mark of conformity, the policy, effectively prevented the purchase of foreign produced products. ⁽⁴⁰⁾ Even those products manufactured by Japanese multinational overseas were not eligible for the JIS Mark.

The standardisation system minimises competition in the domestic market since public purchasing of products without the JIS mark is

³⁸. See Pelkmans and Costello (1991); D. Audretsch (1989); David Vogel "Consumer Protection and Protectionism" Journal of Japanese Studies Vol 18, Winter 1992 pp 119-154.

³⁹. Vogel (1988) p. 151.

⁴⁰. Audretsch (1989) *ibid*.

not possible under the Industrial Standards Law ⁽⁴¹⁾. As a result, the 115 public corporations in Japan explicitly pursue a policy of purchasing from Japanese companies rather than foreign firms. ⁽⁴²⁾ A further law, the Export Promotion Act is an effective vehicle to discourage imports. The underlying theme of this act is the promotion of exports through the assurance of high quality associated with Japanese products, along with the minimisation of "destructive" competition. ⁽⁴³⁾ Clearly, these laws present a considerable barrier to any foreign producer wishing to market products in Japan.

The "Liberalisation" of dirigiste Standards ?

The extent of government dirigisme in promoting Japanese standards, evident in the intrusive role of government ministries, was significantly affected by changes at the European and international level. Like the US, internal reforms in Japan were enacted as a result of external pressures. Pressure came directly from the internal market programme as the EC's attempt to set standards in sectors such as transport and telecommunications, where up to now there had been only limited attempts to set international standards. Once established, European standards in these sectors might become de fact international standards, without any input from Japan. In response, Japan has stepped up its activities in international standardisation.

Key changes beginning in 1983 introduced a number of structural reforms, that improved the position of exporters in the Japanese market. Japan committed itself to basing technical regulations on international standards, where appropriate, and to allow equal access in the testing and certification of products to foreign producers ⁽⁴⁴⁾.

As a result, test data from a foreign test institute was accepted as a substitute for testing in Japan. In the past, the additional testing for imports had increased costs for importers, and placed them at a competitive disadvantage. While Japanese ministries have reduced the number of inspections, this reflected its decision to deemphasise trivial violations and devote more resources to recognising specific foreign testing bodies. Japan started the

⁴¹. Pelkmans and Costello (1991)

⁴². The Economist 6 August 1983. Nippon Telephone and Telegraph (NTT) spends only 2 % of its procurement budget of \$3 billion on foreign goods.

⁴³. Japanese Standards Association (1985) as quoted in Audretsch (1989).

⁴⁴. Pelkmans and Costello 1991; The Economist 6 August 1983.

translation of JIS standards into English in response to pressure from foreign industry increasingly concerned about transparency. While, foreign pressure did succeed in persuading Japan to introduce reforms, the reforms themselves were modest in the sense that certain barriers remained. These changes, did not fully address the fact that market approval still requires extensive data, and may take six months due to the different specifications required for the Japanese market. ⁽⁴⁵⁾

Notwithstanding the significant gap between the access to markets in Europe and US and what Japan had in fact proposed, discernable progress in reforming the Japanese standards system following EC and US pressure was achieved. Moreover, the close ties between government and industry have been pressurised by external factors. Most important, the close linkages between industry and government still exist, but the degree of dirigisme may be of a different degree. Thus, for example, the highly dirigiste nature of standardisation till the mid 1980's may have declined as a result of the reforms that brought a shift from extensive government regulation and certification to self-certification of products. ⁽⁴⁶⁾

Nonetheless, the initiation of a number of policy changes designed to bring Japanese standards more in line with those of Europe has clearly emerged, as Japan's domestic system of product standards can no longer be determined exclusively by domestic interests. Because of the link between standards and international trade, an exclusively domestic system is difficult to reconcile with the growing internationalisation of product markets. As a result, Japan's regulatory policies have moved closer to its major trading partners. ⁽⁴⁷⁾ In this sense, the liberalisation of regulations regarding testing and certification of products outside Japan is driven by developments in other markets. Clearly, the immediate formative influence of the EC policy in the development of an integrated economy has shifted Japanese interest to the international level. With EC recognition agreements of test data from third countries possible on the basis of reciprocal access, the Japanese standards process may yet experience further pressure to alter its domestic standards system.

Business-Government: External Pressures, Domestic Changes

At a time when the European Community is moving towards economic

⁴⁵. Pelkmans and Costello (1991).

⁴⁶. What this suggests is that Japan's policy has not remained stable over time. Certainly, close linkages remain between industry, government and trade associations in the standards area.

⁴⁷. Vogel (1988) p.152.

unity, economic integration is profoundly affecting the balance of business-government relations. In the case of European standardisation, business is incorporated as a central actor in the policy process. But as scholars are increasingly turning their attention to the new relationships post-1992 between business and government at the European level, the impacts potential, as well as actual, on government and its relationship to business are affecting other markets. ⁽⁴⁸⁾

This paper has provided a preliminary overview of the role of business-government in standardisation. Just as the role of standards has left its imprint on business/government relations in Europe, so standardisation has left its imprint on the institutional relations between business and government beyond Europe. The US and Japan have both reassessed their own institutional arrangements in the area of standardisation.

The scope of the internal market programme therefore, affects business/government relations in multiple markets. Many scholars have noted the patterns of interactions between business and government at the domestic level. Although this has provided important insights into the functioning of different political systems, there have been few analyses of business-government interaction at the EC-level. Those attempts to classify and define the categories in which business-government relations should be placed has elicited a variety of types. Schonfield described business-government relations as those where business and government were non-cooperative and those in which the relations involved cooperative economic decision-making. ⁽⁴⁹⁾ The distinction involves the degree of independence exercised by the government or state. Subsequent scholars have continued the debate about the relationship between government and industry in terms of the strength of the state in relation to the dominant interests of society ⁽⁵⁰⁾. Thus, in Krasner's categorisation, the relative strength of the state is measured by the degree to which government can structure the domestic economy. These scholars are primarily concerned about the patterns of interaction in domestic economic

⁴⁸. Candace Herzner and Vivien Schmidt ed. The New Europe, Incorporated: The Rise of Business and the Decline of the Nation-State manuscript, Forthcoming 1993. The chapters in this book focus on business/government in member states.

⁴⁹. Andrew Schonfield Modern Capitalism Oxford University Press: New York, 1965.

⁵⁰. Stephen Krasner "United States Commercial and Monetary Policy" in Between Power and Plenty in P. Katzenstein ed. university of Wisconsin Press: Madison, 1978; C. Lindblom Politics and Markets Basic Books: New York, 1977

policy. Addressing the issue more generally, Schmitter has constructed ideal types about the linkages between associationally organised interests with the structures of the state into two variants: corporatism and pluralism. ⁽⁵¹⁾.

However, all of the authors are concerned with the domestic dimension of business-government relations. In the area of standardisation, it is the impact of external business-government relations on domestic policy patterns that is striking. Both Japan and the US have widely divergent patterns of business-government relations. On the one hand, the United States, is often described as having adversarial relations between business and government, while the relationship between business-government in Japan exhibits a marked degree of dirigisme. ⁽⁵²⁾ While there remains important differences between the styles of business-government relations in the two countries, the patterns of interaction have typically de-emphasised the degree to which the government's ability to act in different policy areas will vary. ⁽⁵³⁾

In the case of standardisation, the structure of relations between business and government has been modified over time. This paper has argued that the shifts in business-government relations in Europe has greatly bolstered the trend towards international standardisation. As a result, both Japan and the US are redirecting their policies towards international standardisation, and as a result have both undertaken reforms within their own domestic standards system.

Business-government relations are not static. The patterns of interaction between business and government may vary across sectors. Nonetheless, the extensive analyses of business-government relations are primarily interested in cross-national categorizations. As a result this reinforces an essentially internalised view of political economy. By contrast, the notion that "societal" institutions such as business may be affected by public policy considerations in other contexts has not been forcefully made. Business-government relations may be shaped and

⁵¹. P. Schmitter "Still a Century of Corporatism ?" Review of Politics 36 pp 85-131.

⁵². See for example David Vogel National Styles of Regulation Cornell University Press: Ithaca, 1986 especially pp 250-258; Ronald Brickman, Sheila Jasanoff and Thomas Ilgen Controlling Chemicals: The Politics of Regulation in Europe and the United States Cornell University Press: Ithaca, 1985 pp 225 ff.

⁵³. See for example the critique by David Vogel "Political Science and the Study of Corporate Power: A Dissent from the New Conventional Wisdom" British Journal of Political Science Vol 17 July 1987 pp 385-408.

fashioned by the structure of markets in other settings. For example, in the area of standardisation, the evolving business-government relationship in the US and Japan is influenced by the activism within the EC. The construction of an internal market has shifted the balance between public and private. Thus, the United States is experiencing growing business-government comity, while Japan has modified the dominant role that the state plays in shaping standards policies. ⁽⁵⁴⁾ The EC in effect, has altered the traditional business-government relationship across markets, although the changes themselves will differ cross-nationally.

⁵⁴. See for example Takashi Inoguchi ed. The Political Economy of Japan: The Changing International Context vol 2.