

The Changing Architecture of Big Business

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Comments are welcome!

One of the most important developments in the European Union (EU) has been the mobilisation of large multinational firms.¹ The collective action of European big business signaled the arrival of new politically powerful actors in the Brussels policymaking process. Today, the European Roundtable of Industrialists (ERT) -- an organisation of chief executive articles from 45 leading European companies -- is arguably the most influential interest group in Brussels. Unlike most Brussels-based organisations, the ERT directs its agenda-setting strategies at the European Council as well as the European Commission. The EU Committee of AmCham -- the group of American multinational corporations -- is recognized as one of the most efficient interest groups. Every month, the EU Committee sends out more than 10,000 documents -- position papers, reports, letters, etc. -- to specifically targeted Commission, Council, European Parliament and media officials. European big business has even emerged as an important international actor in the European Union. In the TransAtlantic Business Dialogue, large companies, with support from national industry associations, have organised themselves to shape the US-EU trade and investment agenda.

Perhaps due to the firms' important role today, some scholars of European integration have mistakenly assumed that European big business organised early on in the Community and actively participated in the policymaking process. In fact, the collective action of European big business has been a slow process, characterized by a number of different phases throughout EU history. In each phase, European companies have mobilised for different selective and collective incentives. They have created different forms of organisation, and have focused on different industrial concerns. For example, members of the earliest big-business group were company leaders who organised for selective social incentives and gathered over sumptuous dinners and

cocktails. Learning about the Community's institutional arrangements and industrial programs that might impact their firms were secondary concerns. By contrast, today's large firm organisations generally mobilise for collective political incentives. (A brief discussion of selective and collective incentives appears below.) Many of these groups are small, direct-firm organisations dedicated to shaping the agenda on specific Community issues through the use of organised, well-financed lobbying schemes.

This "changing architecture" of European big business is significant in that it challenges traditional forms of industrial collective action in Europe. The creation of European-level big business organisations has allowed large companies to bypass long-established European as well as national industry associations in influencing EU legislation and programs. Thus, European and national industry associations -- long recognized as the voice of industry -- must now coordinate or compete with large companies not only for influence in EU industrial and regulatory policy, but also for membership and dues.

The purpose of this paper is to examine large firms' collective action in the European Union. Why did these large companies organise themselves at the European level? How did the collective action of big business differ from that of traditional industry associations? What influence has the mobilisation of European multinationals had on these associations? Why and how are big business association strategies changing in the post-Single Market era? In addressing these questions, the paper will explore the changing architecture of European big-business organisations in the history of the European Union.

Brief Review of the Literature

Before examining the historical phases of large firms' collective action, it is important to briefly review some of the literature on collective action. (For an excellent overview of the literature, see Sabatier 1992. See also chapter one in Greenwood and Aspinwall 1997.) The study of group organization was revolutionized with the publication of Mancur Olson's The Logic of Collective Action in 1965. Olson argued that individuals were rational, self-interested actors who would not join groups simply because they shared interests with others who wanted to receive some particular good from the government. Olson argued that "the collective political goods pursued by interest groups are simply a 'by-product' of members' real concerns with nonpolitical selective benefits" (Sabatier 1992, p. 100).

Peter B. Clark and James Q. Wilson first identified the benefits that can accrue to members of a group (Clark and Wilson 1961). These include:

- material -- tangible rewards that can usually be translated into monetary terms
- solidary -- social rewards that derive from associating in groups activities
- purposive -- rewards associated with ideological or issue-oriented goals that offer no significant tangible benefits to member (Sabatier 1992, p. 103)

Olson, of course, noted the distinction between selective benefits or incentives that would accrue only to the membership, and collective benefits or incentives that would serve members and non-members alike. Olson assumed that individuals would not join groups for collective purposes unless there were coercive actions or separate selective incentives. For Olson, therefore, the selective benefits were key to explaining individuals' decisions to join groups.

Over the years, there have been numerous revisions to the Olsonian theory of collective action. Many of these revisions have focused on problems with the Olsonian model such as group

formation (i.e. how do groups get organized in the first place?) and the importance of politics to the leaders and members of a group. Scholars have also pointed out that the incentives for group membership will likely vary depending on the type of interest groups -- i.e. business, environmental, labor, etc.

One of the most important contributions has been the recognition of political motivation behind firms' collective action. In 1992, David Plotke argued that the Olsonian arguments were not very helpful in explaining the political mobilization of large firms and related political action committees in the United States in the 1970s (Plotke 1992). Notable during this period was the establishment of the Business Roundtable, a group of CEOs from 200 leading US multinational firms. Plotke maintained that the organization of these big-business groups could not be interpreted based on the firms' rational calculations of selective material benefits to be derived from group membership. Rather, Plotke argued that mobilization can be explained as a political process in which firms interpreted the business climate and resulting economic problems and defined responses (p. 181). Companies joined groups for larger collective political incentives. The Business Roundtable, for example, put forth a particular public policy model to improve the overall business growth. Thus, the mobilization of these groups involved "explicit efforts by business groups and associations to shape the course of politics" (p. 177). Moreover, the problem of collective action was largely avoided because firms were not focusing on their immediate economic needs or profit goals, but debating the broader need to reshape the political-economic climate (p. 183). As Plotke explains

The ability to overcome collective action problems in mobilizing business derived mainly from a widespread acceptance of the need for a political approach to the questions at hand. Business elites regarded national political-economic decisions as salient and important. Collective action problems were reduced, even bypassed,

in a discursive framework within which political action was reasonable and potentially effective. Business leaders were political as well as economic agents (p. 185).

In 1994, this model was applied to the mobilization of the European Round Table of Industrialists, a group directly modeled after the US Business Roundtable (Cowles 1994). Company leaders did not join the ERT for selective material incentives or for particular purposes that would serve immediate profit goals. Rather, leading European industrialists joined the organization to promote a new growth model in Europe in the face of government intransigence. Following the eurosclerosis of the 1970s, the company heads were concerned that national strategies had failed to address the challenges of the global economy, and that the creation of a single European market and trans-European infrastructure networks were critical if the European economy were to grow in the future. ERT members believed that

Initiatives were necessary to stimulate investment in technological development and industrial growth while firms undertook painful restructuring operations. Measures were needed to advance a political-legal framework under which these initiatives could be taken. The ERT strategy was, in effect, to offer a 'new Europe' -- one that could effectively develop and market high technologies, one that could create jobs through wealth creation, one that could compete successfully in the world market (Cowles 1995a, p. 507).

The growing political nature of firms in the EU was also noted by Coen (1995). In a systematic critique of Olsonian logic, Coen points out certain factors that make European groups particularly attractive to companies -- for example, the status (and access) bestowed on these groups by the European Commission, lower information costs, an expectation of political returns from participation, the ability to generate good will for a firm, the growing possibility of partial collective goods, the ability to mask private goals within a federation, etc. Indeed, Coen argues

that it is “the externalities of collective action that provide the private good to mobilise individual firms” (p. 22).

While acknowledging the “externalities” that promote firms’ collective action, this paper will emphasize Plotke’s focus on the collective political incentives driving big-business mobilization in direct-firm organizations over the past 40 years.² The analysis begins, however, with the EU’s early years when big business was noticeably absent from the membership of European industrial organizations.

The Missing Player

The creation of the peak organisation of European industry coincided with the establishment of the European Economic Community in 1958. The Union of Industrial and Employers’ Confederations (UNICE) was a typical Eurofederation -- a federation of national industry associations. Interestingly, the motivating factor behind UNICE’s creation was not to promote the European customs union, but to create a “defense mechanism” against Commission activity (Sidjanski 1967). To use the language of collective action, UNICE’s initial organizing impulse was not to pursue a collective good, but to avoid a “collective bad”. UNICE was formed to gather information on and monitor the development of the European Economic Community. Thus, it also provided national industry associations with selective material incentives -- namely, “information” on Community activities (Cowles 1996a, 340-3). (Today, UNICE tends to be a proponent of European integration.)

As pointed out by Grant Jordan (1997), the collective action problem of a European peak association such as UNICE is not apparent since the national associations were already mobilised

in the member states. In the case of industry, the national associations had also organised collectively in other international fora. Between 1948-1957, for example, approximately 60 European interest groups were created in response to the Marshall Plan (Hammerich 1969, as cited in Cowles 1994). In 1948, the French industry association brought fifteen other national associations together as the Council of Industrial Federations of Europe (CIFE) to provide input to the Organisation for European Economic Cooperation on Marshall Plan activities. When the European Coal and Steel Community was ratified in 1953, a special CIFE sub-group was set up to monitor the nascent Community and “to prevent the spreading of further ‘authoritarian’ integration projects” (Ehrmann 1957, p. 418). In 1958, the sub-group broke away from CIFE to become UNICE.

While a number of industry Eurofederations were created in the early years of the Community, European big-business groups were not. There were several reasons for the firms’ absence. The national patterns of industry association, that is, the manner in which associations are organised, were one key reason why large firms did not mobilise in Brussels in the early years of the community. In most countries in continental Europe, firms were not allowed to be direct members of the national industry associations -- which were also “federations of federations.” (The situation was different in the United Kingdom where the Confederation of British Industry (CBI) allowed companies to join the association directly.) This national pattern of association was further reinforced by cultural considerations. In Germany, for example, direct lobbying by firms or groups of firms “can raise suspicions of inappropriate political manipulation by capitalist interests” (Kohler-Koch 1993). Thus it is preferable for industry associations to officially carry out this

activity. Therefore, companies, continued to rely on their national industry associations -- who were members of UNICE -- for information on the European Union.

National business-government relations were another factor that influenced the firms' inactivity in Brussels. For the most part, large companies were "national champions" -- either nationalized or receiving preferential treatment -- and thus did not share a strong European orientation. Many firms were also preoccupied with rebuilding their own national markets after the war. As one pundit noted, "There is no such thing as European industry -- there is German industry, British industry, French industry, etc. Vive la différence!" (Rowley 1974).

At the same time, European Commission officials did little to encourage industry activity in Brussels whether by European associations or large firms. The Commission's socialization of European industry groups was weak and ineffectual -- and disinterested at best. Early studies on interest group activity, for example, reveal that Commission officials were often "aloof" in meetings with industry group officials (Feld 1966). While the general distrust of Community industry groups such as UNICE did not bode well for Commission-industry relations, it was also clear that high-level European officials did not seek close relations with industry groups. The Action Committee for the United States of Europe, for example, was comprised entirely of leaders from Christian and social democratic parties as well as trade unions (Yonsdorf 1965). Noticeably missing from the Action Committee's ranks were the leaders of business associations. Moreover, Committee chairman Jean Monnet was not interested in recruiting the companies because he believed they were "too nationalistic" to support the European integration project (Cowles 1994). That many of these companies were involved or were perceived to be involved in World War II activities also did not sit well with political authorities. For their part, European big business was

more intrigued by the General Agreement on Tariffs and Trade than it was in the Community project.

Context of Change

While European big business may have been a missing player in the EU's formative years, large European companies began to organise themselves by the late 1960s and early 1970s. A number of intervening variables can be identified that helped shape the incentives for the firms' collective action. These overlapping variables include the state context, the external environment, the EU context, as well as the changing nature of the firms themselves.

In certain respects, the state context -- notably the traditional business-government relations -- was an important "negative" factor in shaping large firms' decisions to organise at the EU level. As mentioned above, for cultural and historical reasons, national industry associations were the traditional representatives of industry vis-à-vis government elites. Their authority in EU matters was reinforced by virtue of their membership in European industry groups such as UNICE. The EU's institutional voting rules also benefited the national associations. For example, the Luxembourg Compromise of 1965 that returned the EU to a unanimous voting system meant that EU policy making followed the "national route" in EU policymaking (Averyt 1975). If an industry association disagreed with a proposed directive, for example, it merely had to convince its own government to veto the legislation (Cowles 1996b).

The changing international environment in the 1970s and 1980s brought new competitive pressures to large companies -- and with these pressures, new strains on their relationship with national industry and government officials. For example, multinationals faced new challenges posed by international organisations that sought to control or constrain their international activity.

For example, the United Nations (UN) and later, the Organisation for Economic Cooperation and Development (OECD), proposed a “Code of Conduct” for multinational firms in their worldwide operations. Later, following the economic malaise of the 1970s, European firms found themselves facing growing competition from Japanese manufacturers (Sandholtz and Zysman 1989). Seeking to shore up and improve their balance sheets, European big business began to pressure for greater access to European markets and an improved regulatory environment to enhance their competitiveness. Large European companies became frustrated with the perceived inability or unwillingness of national industry representatives and government officials to address their concerns (Cowles 1995a). A dissatisfaction with the “national route” of European policymaking provided incentives for European big business to organise politically at the European level.

The international environment influenced large companies’ actions in another way. By the late 1970s and early 1980s, a number of companies began to develop more global competitive strategies. French firms in particular began to invest more overseas (Savary 1984). In certain respects, these large companies went “global first” and “European second.” The lessons they learned overseas in other markets and in interactions with other firms prompted them to redefine their “home” market as the European as opposed to national market.

The European context also was critical in shaping the incentives for large firms’ collective action. As noted above, UNICE was created to monitor the creation of the EU. The EU’s institutional environment, however, should not be overemphasized in the case of the 1985 program and the Single European Act. While a number of interest groups mobilised as a result of the 1992 program, the major European big-business groups organised *prior* to the 1992 program. In the case of the European Round Table of Industrialists, business leaders were key players in

promoting the Single Market Program in the first place. In many respects, large firms themselves were the “agents” for EU’s institutional change during the 1980s decade.

Laura Cram’s discussion (see Cram 1997) of the Commission and institutional learning is also helpful in understanding the firms’ decision to organise collectively. After EU leaders initially shunned large companies in the EU’s early years, certain Commission officials began in the late 1960s to play an important “policy entrepreneur” role in creating incentives for big business’ participation in EU activities. This Commission role was carried out in many ways: providing information to firms; bringing leaders of key industry leaders together to discuss European solutions; offering monetary contracts for participation in EU projects; and allowing companies to provide data and to actively solicit proposals that would shape EU regulatory policy. In fact, the relationship between the Commission and large firms became a mutual reinforcing one by the mid 1980s: Commission officials encouraged the firms’ participation in the EU policymaking process and, in turn, European big business served as a constituency for the Commission vis-à-vis the member states. While this relationship has become more nuanced with the mobilisation of countervailing interests in the post-1992 period, the Commission-big business linkage remains important in EU policymaking today.

Finally, the nature of European big business itself is important in understanding the firms’ decision to organise collectively in Brussels. As mentioned above, the inability of national industry federations to adequately address large firms’ concerns prompted European big business to consider organizing itself in the European capital. The fact that these large companies had clearly defined concerns as well as sufficient resources to open up Brussels offices facilitated the decision to mobilise. The relatively small numbers of large firms as opposed to small- and medium-sized

companies also facilitated collective action. Olson, of course, first made the “size of group” argument in his seminal work (Olson 1965). That is not to say that European companies did not face cultural and historical traditions that hindered firms’ mobility. German big business, for example, became involved in European business groups rather belatedly given the strong national industry associations (Cowles 1996b). Nonetheless, European companies faced far fewer cultural obstacles than did consumer groups (Young).

Phases of European Collective Action

The mobilisation of European big business did not come all at once. Nor did all firms organize for the same purposes (Camerra-Rowe 1994). While it is difficult to create all- inclusive categories, one can conceive of large firms’ collective action in at least four broad but often overlapping phases. These phases are indicated in figure 1.³ In the first phase, leaders of major European firms mobilised for selective social incentives. In the second phase, individual firms organised for collective economic incentives within European sectoral associations or informal sectoral groups. In the third phase, multinationals associated themselves again for collective political reasons, but *across* industrial sectors. Finally, European big business organised for collective political reasons around specific policy issues. In certain respects, the phases build upon one another. For example, it is difficult to imagine the creation of cross-sectoral big-business groups in phase three if several of these companies had not organized themselves along sectoral lines in phase two. The various phases of large firms’ collective action are highlighted below.

Insert figure 1 about here

Phase I: Social Cohesion

In 1967, the Groupe des Présidents des Grandes Entreprises Européennes (the Group of Presidents of Large European Companies) laid the groundwork for associating big business in Europe. Indeed, the Groupe des Présidents emerged as the first major example of big business collective action at the European level (Cowles 1996c). The creation of the Groupe des Présidents is also notable in that it was created shortly after the EU's infamous "empty-chair crisis" and the resulting Luxembourg compromise. Thus, while some political observers were predicting the dark days of the community, large European companies were expressing interest in the EU for the first time.

Thus, in 1967, a dozen presidents/CEOs of major European companies met to discuss EU issues. A senior director of Euratom, Monsieur Von Geldern, served as the Groupe des Président's key organiser or policy entrepreneur. Von Geldern -- a former top-level director at Philips, the Dutch electronics firm -- was appalled at the European Commission's poor knowledge of European industrial concerns. He also was aware of industry's own indifference toward the EU. Von Geldern believed it was important to organise European business leaders so they could meet with and exchange information and ideas with Community officials. Von Geldern also thought that such meetings would help promote the larger goal of European integration. Most of the company members did not share Von Geldern's vision of a unified Europe at the time.

The Groupe des Présidents members came together due, in part, to Von Geldern's tenacity as well as the selective material incentives to be gained by membership -- namely, information on the European Union. For the first time, company leaders could receive information unfiltered by the national associations. The selective social incentives offered by the organisation were the most

important incentives for membership, however. The Groupe des Présidents gave company leaders from various EU member states the opportunity to socialize with one another. The organisation became a “dining club” -- a fraternal group for CEOs and not an important interest group in Brussels. By 1988, the Groupe des Présidents was disbanded, with several of the members choosing to join the politically-active European Round Table of Industrialists.

While the Groupe des Présidents never became a lobbying organisation in Brussels -- nor was it ever intended to be -- the organisation did begin a dialogue between industry and the Commission that had been largely absent. In many respects, the Groupe des Présidents opened the door for other companies to organise themselves in Brussels in the 1970s and 1980s. The Ravenstein Group -- an organisation of company representatives in Brussels -- is one such example (Cowles 1994).

Phase II: The Initial Transformation

The next phase of big business mobilisation can also be traced to the mid-1960s. It was at this time that individual companies began to organise themselves *within* their European-level sectoral associations due to collective political incentives. These companies desired not merely to gather information on Commission activities, but to actively influence the outcomes of EU legislation. This phase coincided with the development of EU regulatory policy issues that impacted firm activity. As Giandomenico Majone points out, “the real costs of most regulatory programmes are borne directly by the firms and individuals who have to comply with them” (Majone 1991). Thus, while many business groups continued to follow the “national route” of EU policymaking, it was no coincidence that several companies whose operations were affected by EU regulatory policy began to carefully follow Community legislative agenda.

In 1965, for example, a group of firms from the European pharmaceutical industry encouraged the Community to pass its “very first piece of transnational regulation” -- Directive 65 which involved the greater European regulation of the industry (Greenwood et al 1992). The European pharmaceutical industry wanted the Commission to regulate “medicine safety throughout the world” in the aftermath of the thalidomide tragedy. Of course, the legislation was also a means to protect the industry from potential future regulatory action. Two years later, several firms in the chemical and pharmaceutical industries began to pay close attention to the Commission’s activities, notably Directive 67/548 on the classification, packaging and labeling of dangerous substances. One American company estimated that the passage of one of the environmental programs alone would cost his company about \$10 million (Cowles 1994).

The activities of the chemical and pharmaceutical firms revealed a willingness of large companies to not rely on their national associations to represent their interests. The firms also demonstrated their intention to carve out a greater role within existing European associations. The companies began to push for a greater say in the European industry associations. As a result, today, for example, European chemical companies now play a role equal if not dominant to that of the national chemical associations within CEFIC, the European chemical association. The fact that a handful of large companies dominate both the chemical and pharmaceutical industries has facilitated this transition.

The transformation of industry associations by European companies even reached UNICE, the peak industry association, in the aftermath of the 1979 Vredeling proposal. Influenced by debates within the UN and OECD, the purpose of the Vredeling proposal -- also known as “the multinationals directive” -- was to institutionalize employee participation in national firms to ensure

employees received adequate information about company operations. Some observers, however, viewed the Vredeling proposal as a vehicle for promoting collective bargaining in Brussels (Cowles 1994; 1997b).

The Vredeling proposal immediately raised concerns among multinational firms. Many companies viewed the legislation as a means to reduce their management prerogative and to control operations. Several large firms soon discovered that they could not rely on their national governments to veto the proposed legislation. European big business also discovered that the national associations in UNICE had failed to take action against the proposal. In fact, no UNICE official had taken responsibility for reviewing this key legislation of interest to the multinationals.

As a result, in 1980, a group of large firms met in Brussels to discuss how they could better defend and represent their interests. Initially, the group met to agree upon strategies that it would later press upon UNICE members and officials prior to their meetings. In time, the European Enterprise Group (EEG) was born as members realized that there was a need to develop a coherent multinationals' voice on EU policy matters. One of the EEG's key objectives was to transform UNICE by creating a multinationals' group within the peak association that would represent their interests. Over the years, the EEG -- along with key UNICE officials -- succeeded in transforming UNICE policy groups and committees to include large firms in addition to national industry associations. As discussed below, the culmination of this effort was the creation of the UNICE Advisory and Support Group (UASG) in 1990 that includes two dozen companies who contribute money, and oftentimes personnel, directly to UNICE. (The EEG continues to exist today as a coordinating body between the UASG, the ERT and the EU Committee) (Cowles 1997b).

The second phase of big business mobilisation also coincided with the economic crisis in Europe and the growing awareness of the global economy. Many companies that began to associate in Europe in the Ravenstein Group and Groupe des Présidents had become increasingly global in their corporate operations. American companies like Ford, IBM, Exxon, 3M as well as European firms like Shell, Unilever, ICI and Philips already had developed a strong international profile. However, other large companies -- many of which were “national champions” supported directly or indirectly by national governments -- remained primarily focused on their national markets. By the late 1970s, prompted by the failure of national programs to address global competitiveness, several of these firms began to look for solutions outside their nation-state and outside their national industry associations.

With the encouragement of Industry Commission Etienne Davignon, a number of firms began to seek European solutions to the economic crises of the time. Unlike his predecessors, Davignon worked directly with large European companies to develop industry-wide restructuring plans such as the Davignon Plan for the steel industry. In 1979, he also met with the leaders of major European information technology companies to develop a European-wide research and development agenda in what became known as the European Strategic Programme for Research and Development in Information Technology (ESPRIT).

Thus, beginning in the late 1960s and continuing through the 1970s, a number of companies began to organise themselves informally at the European level. In the case of some industries such as the information technology industry, the Commission played an important role in facilitating the collective action of these firms (Cawson 1992). In the case of others such as the

chemical and pharmaceutical industries, companies mobilised on their own. The collective action of these firms resulted in the initial transformation of European industry associations.

Phase III: Direct Firm Membership

The third phase of big business mobilisation in the early 1980s witnessed the creation of some of the most powerful organisations in Brussels -- the EU Committee of AmCham and the European Round Table of Industrialists (ERT). Like the second phase of mobilisation, the large firms' incentive for association was political in nature. Again, both groups of firms were further motivated by the recognition that the member states and national industry associations were either unable or unwilling to adequately address these key regulatory issues. This third phase of mobilisation was different, however, in that firms did not attempt to transform existing organisations. Rather, they sought to create politically powerful big-business organisations of their own that would compete with traditional industry associations. This third phase witnessed the creation of direct large firm membership groups.

In 1978, a small committee of American multinationals inside the American Chamber of Commerce in Belgium was created to follow and, if possible, influence important legislation directed at multinational firms (Cowles 1996a). By the next year, the companies became increasingly concerned with the Vredeling initiative and its extra-territorial dimension. As proposed, the Vredeling required multinational firms in Europe whose headquarters were located outside the EU (namely American companies) to establish consultation procedures between the parent companies and subsidiaries.

While several American companies became members of the EEG, they recognized that they were still at a disadvantage in that they had no "member state" to champion their concerns in the

Council of Ministers. Moreover, although they had significant operations throughout Europe, the companies could not be assured of adequate representation within the national industry associations -- especially in those associations which outright discouraged American participation. Thus, American companies had little choice but to create a strong direct-firm organisation in Brussels. On January 1, 1995, the companies established the EU Committee as an organisation separate from the American Chamber.⁴ Today, the EU Committee is recognized as one of the largest, most influential groups in Brussels.

Another important group to emerge in the 1980s, was the ERT. With the strong support of Commissioner Davignon, Pehr Gyllenhammar, CEO of Volvo, the Swedish automaker, brought together a group of leading European CEOs and Board Chairmen to form the ERT. Many ERT members were concerned with European competitiveness vis-à-vis their American and Japanese competitors. They were also dissatisfied with the slow progress in creating a common European market. The ERT's initial purpose was to relaunch the European economy with a major industrial initiative -- a program that create a pan-European political-legal framework in which European companies could conduct their business (Cowles 1995a). In other words, a Single European Market.

While ERT members enjoyed privileged relations with national government officials, they were not convinced that national government leaders would find the political will to create a single European market. After all, governments had failed to take decisive actions toward creating a unified European market throughout the 1970s. ERT members were also convinced that the various national associations, individually or within UNICE, did not have the political clout to launch a major industrial initiative. The business leaders reasoned that only they could provide the

initiative for the creation of such collective goods as a single European regulatory market and trans-European networks (road, rail, telecommunications, etc.) that would facilitate the free movement of goods, services, people and capital within the single market.

This last point brings to the fore Mancur Olson's all-important problem of free-ridership. Why would a group of European business people agree to organise themselves at the European level and then invest the time and resources to receive a good from which everyone will presumably benefit? Olson's answer, of course, was that these firms or business leaders would not join the group unless they received selective benefits of their own. Clearly, ERT members received selective social incentives such as fraternizing with other CEOs and belonging to an elite organisation with high-level contacts in national and EU administrations. They also received selective material incentives such as potential contracts for the building of the trans-European networks. At the same time, however, one cannot dismiss the importance of collective political incentives in driving the organisation of this group. Why? There appears to be two primary reasons. First, as David Marsh noted, large firms in general are often driven by the collective political incentives for they recognize that even if others benefit from the political activities, their firm will also benefit (Marsh 1976). After all, the relative improvement of all participants in the marketplace is part of the law of comparative advantage to which most business people adhere. Andrew McLaughlin and Grant Jordan, however, have provided an equal if not more compelling reason for joining groups based on collective political incentives (McLaughlin and Jordan 1993). They point out that many groups in Brussels believe that if they do not undertake the political initiative, no one else will. Clearly this was the case of the ERT which found that neither the member states nor the national industry associations were capable of undertaking actions deemed

vital to the business community. Today, the ERT continues to find new issues and policies that reinforce and maintain the collective political incentives undergirding the organisations (Cowles 1995b).⁵

Phase Four: Specific Issue Groups

In recent years, the collective action of large European companies has developed a new format. While the underlying incentive for organisation is a collective political one, the groups have moved from organizing around sectoral or transectoral issues, to mobilizing around specific policy issues.

One reason for this development is the changing institutional setting and maturation of the Single Market itself. At the time when the ERT first proposed relaunching the EU with the Single Market initiative, the unanimous voting system dominated EU policymaking. In the aftermath of the Single European Act, of course, the qualified majority vote returned for Single Market issues. EU institutional changes such as the qualified majority voting system have largely ended the national route traditionally followed by various interest groups. Companies and other interest groups now recognize that in EU regulatory policy, the most important work is done in the initial writing of the proposal. European companies must be in Brussels to influence the process early on. Moreover, companies and associations are forced to work with others in order to present a transnational position to Commission officials and/or to secure votes to pass or defeat a legislative measure. This coalition-building has further promoted the mobilisation of companies at the European level. At the same time, the maturation of the Single Market has led to new legislative agendas. Now that the vast majority of Single Market directives have been agreed to (although not all have been implemented), EU policymakers are turning their attention to: (1) those issues that

initially were too sensitive to tackle, and (2) those areas where general directives now require more specific legislation. As a consequence, large firms are beginning to form ad-hoc alliances around these “new” issues.

One of these new groups is ENER-G8, a coalition of eight energy intensive manufacturing companies. This group was created in 1995-6 specifically to address the Internal Energy Market initiative. In recent years, debates on the internal energy market have largely been dominated by the key producers of energy -- nationalized firms or dominant private companies that are predisposed to protecting their national monopoly. Indeed, the voice of the energy consumer was largely missing from the debate. Therefore, eight powerful companies -- AKZO Nobel, BASF, Mercedes-Benz, Dow Europe, ICI, KNP BT, Pilkington and Thyssen -- decided to pull their resources and create the industrial consumers' voice. According to one official in President Jacques Santer's cabinet, ENER-G8 has emerged as one of the most important new voices in Brussels.⁶ Moreover, ENER-G8 has placed pressures on the energy producers, who have traditionally relied on their ties with national government to influence EU legislation, to become more organised at the European level.

Another new group is the International Communications Round Table (ICRT) comprised of a diverse group of companies including Bertelsmann, Dow Jones, Dun & Bradstreet, IBM, ICL, Macmillan, Matra Hachette, Microsoft, Philips Media, Reuters and Sony, among others. The collective political incentive underlying the ICRT is the development of the Information Society in Europe. Thus, these companies are seeking to influence the debate over intellectual property protection, electronic commerce and encryption.

Recently, European big business has organised itself in another policy arena for the first time -- foreign policy. While European firms have mobilised around EU regulatory issues since the mid-1960s, they had not used their big business organisations for foreign policy purposes. For example, no European big business organisation existed to influence the Uruguay Round of GATT negotiations. One reason for this is that the Member States must approve the Commission's negotiating mandate in these negotiations. A second reason is quite simply that European companies in general have not played an important role at the national level in shaping international economic negotiations. Any discussions with the government on trade talks were usually conducted by the national trade associations.

The creation of the TransAtlantic Business Dialogue (TABD) marked the first time that European companies organised themselves in a meaningful way at the European level to influence the EU's international economic agenda. Interestingly, it was the US Commerce Department that promoted the TABD as means to mobilise European companies on transatlantic trade issues. The US government thought trade negotiations would advance further if European industry was incorporated in the debate at the European level (Cowles 1997c). For their part, many European companies joined the TABD for political reasons -- namely, to ensure that the American government and companies continue to promote strong trans-Atlantic ties at a time when Americans have increasingly become interested in the Far East.

While the European Commission helped recruit the first TABD chairmen, European companies now drive the organisation and process. Once again, a handful of key companies -- notably Philips, ICI, Daimler and BASF -- spearheaded the initiative.

Challenges to the National Associations

The collective action of European big business has not come without some cost to the historically dominant national industry associations. While groups of multinational firms have not supplanted the national associations, they have presented these organisations with considerable challenges.

First, the mobilisation of large firms has challenged the traditional leadership of the national associations. Today, for example, UNICE claims to be the “voice of European industry.” While the Commission officials recognize UNICE’s claim as the industrial peak association, they will often call upon the ERT to give program advice, to co-sponsor a conference, or to lend its name to a European initiative. Indeed, Commission officials are often more interested in speaking with the “captains of European industry” who have considerable ties to national politicians as opposed to an association official who, depending on her or his position, has little corporate experience and less political clout.

Equally important, the creation of large company organisations has produced competition for membership. Participation in the various interest groups can be costly. Oftentimes, firms must choose among several organisations. In the early 1980s, a number of large firms threatened to leave UNICE and their national organisations in order to fund a new European-level industry group which they believed would be more responsive to the interests of large companies. Among other issues, the companies were concerned that national industry associations were not funding UNICE adequately enough to be an effective organisation. They also were displeased that the companies who paid for the associations had little say in the matter. In order to assuage the companies, national industry associations agreed to create the UNICE Advisory and Support

Group (UASG) mentioned above. Today, a number of European associations -- such as the aforementioned CEFIC -- are being transformed from within. Many of these associations are changing their purpose from information-gathering to political action as a result of pressures by large companies. A primary reason for this change is the growing strength of the EU itself over the past four decades. As noted above, when the Commission proposed legislation that impacted the bottom-line of major companies or offered contracts to companies for trans-European projects, European big business took note. Similarly, as powers of the European Parliament develop today, large companies no longer approach EP members for informational purposes, but to influence their votes on key legislation.

Of course, there are times when large companies do not want to take the lead on particular issues. For example, companies generally prefer that the industry associations speak out on European social policy matters. Sensitive matters, therefore, can often be deflected to the association as opposed to the firms themselves.

Perhaps the area most challenged by the collective action of big business is the traditional business/association relationship itself. In continental Europe, for example, the relationship between individual firms and associations has been a hierarchical one. The "confederation of federations" model reinforced this relationship. The presence of multinational firms and their European organisations in Brussels has, at times, reversed this relationship. For example, instead of giving advice to its member firms, the German industry federation now finds itself speaking to German companies (whose officials in Brussels far outnumber that of the BDI) in order to find out information on the Brussels policymaking scene (Cowles 1996b). Similar situations have arisen in French industry where a separate group of large French firms competes with the French industry

association both in Brussels as well as Paris (Schmidt 1996). Some of the small industry associations, for example, those in the Netherlands, have seen their large European companies bypass them completely on numerous policy matters.

The influence of big business and their organisations in Brussels is beginning to have an impact at the national level as well (Cowles 1996d). BDI officials, for example, have seen to it that German companies have an organisation similar to the UASG in the BDI Köln headquarters. Of course, as more and more industrial matters are decided in Brussels, some association officials worry that the links forged between European big business and national government officials on EU matters will naturally spill over to national matters as well. Time will tell the extent to which the politics of Brussels will impact that traditional relationship between the national associations and governments.

The Changing Architecture of European Big Business

As indicated in figure 1, the collective action of European big business has changed in many ways over the EU's history. For example, the incentives, format and focus of the large firms have varied. Whereas company presidents once organised in the 1960s largely for selective incentives, today's direct-firm organisations are created due to collective political incentives -- namely, to influence the shaping of specific EU legislation. Whereas the EU initially shunned European big business during the Monnet years, it is clear that the European Commission has played an important role since the 1960s in encouraging the mobilisation of large firm associations.

As mentioned above, the collective action of major European companies has also changed the traditional roles and memberships of national and European associations. Moreover, there is evidence to suggest that the mobilisation of these large firms has prompted other interest groups

to organise to better defend their interests in the EU. More likely than not, we will continue to see a transformation of interest group activity as the EU matures. One likely development -- already detected -- is the development of ad-hoc coalitions among industry, consumer and environmental organisations.

Clearly, the changing architecture of European big business has shaped the mobilisation of EU interest groups in general. More likely than not, these large firms will continue to affect interest group activity in both Brussels and the national capitals. The manner and extent to which these companies influence the EU will be an important matter of future study.

Figure 1: Phases of Large European Firms' Collective Action

Phase & Decade of Origin	Dominant Incentive	Dominant Format	Commission Role	Examples of Organisations
1 - 1960s	Selective Social	Informal Group of individuals	Yes	Groupe des Présidents
2 - 1960s & 1970s	Collective Political	Transformed Eurofederations	Mixed	Pharmaceutical, Info Technology
3 - 1980s	Collective Political	Direct Large Firm Associations	Mixed	European Round Table, EU Committee
4 - 1990s	Collective Political	Direct Large Firm Associations	Minimal	ENER-G8, ICRT

Endnotes

¹ This paper is largely drawn from Maria Green Cowles, *The Politics of Big Business in the European Union*, forthcoming, and is based on “The Changing Architecture of Big Business,” in Justin Greenwood and Mark Aspinwall, eds., *Collective Action in the European Union: Interests and the New Politics of Associability* (Routledge, forthcoming 1997).

² The emphasis on collective political incentives may be attributed to the fact that this paper focuses on the creation of direct types/formats of big-business Eurogroups over time, with an emphasis on direct-firm membership organizations. At the same time, I do not discount Coen’s argument that direct-firm membership organizations may be one of several avenues of political action available to firms. Coen’s treatment of firms’ political action focused primarily on existing Eurogroups.

³ I thank Grant Jordan for suggesting the original categories and idea for this chart.

⁴ The EU Committee went through several name changes (EEC Committee, EC Committee, etc.). The most current name is used in this paper.

⁵ Recently, the EU Committee of AmCham launched a separate group, the European-American Industrial Council (EAIC), modeled after the ERT. The EAIC thus allows top-level officers from American firms to meet with EU and national officials directly on EU matters.

⁶ Interview with Commission official, Brussels, June 28, 1996.

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