

## The 'Business' of Agenda-Setting in the European Union

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### Introduction

In recent years, scholars have paid increasing attention to the political activities of European business in the European Union (EU) policymaking process.<sup>1</sup> An important outcome of this recent work is the growing awareness of the role of large European firms.<sup>2</sup> Various publications have acknowledged the increasing number of multinational enterprises (MNEs) setting up offices in Brussels and lobbying Community officials.<sup>3</sup> Scholars have noted an apparent willingness of large firms to join with political elites in the 1980s "to seek a supranational pooling of eroded national sovereignties over economic policy."<sup>4</sup> Indeed, debates have arisen over the role played by leaders of big business in the creation of the Single Market program.<sup>5</sup>

Despite the growing interest in large firms' activities, the agenda-setting power of European big business has been largely ignored or misunderstood by EU scholars. For example, some scholars discuss lobbying strategies, collective action and legislative issues but stop short of outlining the specific powers and resulting actions of large MNE groups. Other scholars focus so intently on formal bodies, government side-payments and decisionmaking rules that they completely omit the considerable power of big business in their analysis.

In this paper, I attempt to address this situation by identifying the obstacles to understanding the agenda-setting role of big business, by highlighting how scholars might better comprehend the power of large European firms, and by providing several empirical examples of big business agenda-setting in

the EU today. While numerous business organizations are capable of setting the EU agenda in a number of policy areas, this paper will focus primarily on the two major trans-sectoral big business organizations in the EU today: the European Round Table of Industrialists and the EU Committee of the American Chamber of Commerce.

The paper begins by defining the power of agenda-setting and its applicability to large firms. The second section highlights three major obstacles to understanding big business's EU agenda-setting power. These obstacles include the failure to properly identify the role of business in EU history, the inability of traditional European integration theories to acknowledge the power of business, and the continued neglect of big business influence in the new theoretical literature on the EU. The third section of the paper offers an alternative theoretical approach to understanding the agenda-setting power of large firms and other policy actors. The paper concludes by identifying several empirical examples of the agenda-setting role of big business in EU policymaking today.

## I. Power, Agenda-setting and Business

### Defining Power

In his book, *Power: A Radical View*, Steven Lukes argued that power may be understood as having three particular dimensions.<sup>6</sup> The "one-dimensional approach" has its roots in the pluralist theory of Robert Dahl and Nelson Polsby.<sup>7</sup> This approach is expressed in Dahl's famous dictum that "A has power over B to the extent that he can get B to do something that B would not otherwise do."<sup>8</sup> As Robert Gaventa points out, the one-dimensional approach to power emphasizes behavior by participants within decision-making arenas.<sup>9</sup> It assumes that participants, including interest groups, voice grievances that are recognized and acted upon by the political authorities. Power, according to the one-dimensional approach, is "understood primarily by looking at who prevails in bargaining over the resolution of key issues" or which actors succeed in achieving their preferred outcome in the policy process.<sup>10</sup> The one-dimensional approach to power, therefore, emphasizes the ability of policy participants to "articulate" and "provide information" regarding their interests.

The "two-dimensional approach" to politics, introduced by Peter Bachrach and Morton S. Baratz,<sup>11</sup> focuses not only on the behavior of participants in a decisionmaking arena, but also on "the exclusion of certain participants and issues altogether."<sup>12</sup> This approach assumes that the political authorities have a particular bias towards certain societal groups and topics which results in the suppression of other participants and issues. Therefore, power is not merely identified according to which participants prevail in having their grievances acted upon. Rather, power is found in the ability of certain groups to set the agenda of political authorities. As John Kingdon pointed out in his seminal work on agenda-setting, decisionmaking by political authorities is only one step of a larger policy process.<sup>13</sup> Before decisions are made, an agenda must be set and alternative policy options presented and debated. The capability of certain groups to exclude other issues and participants from the agenda is indicative of the two-dimensional approach to power.

Similarly, one can understand this power as the mobilization of bias not only in the policymaking process, but also in "non-decisions" by political authorities. <sup>14</sup> Non-decisions occur when the choices available to decision-makers are restricted by privileged societal groups either by force, by a threat of sanctions (either positive or negative) or by "invoking an existing bias of the political system -- a norm, precedent, rule or procedure -- to squelch a threatening demand or incipient issue."<sup>15</sup> In other words, the actions of privileged groups toward decision-makers preclude potential policies from ever reaching the ratification phase. The second-dimensional approach to power, therefore, emphasizes the ability of policy participants to "set the agenda" or "veto" policy initiatives.

The three-dimensional approach was presented by Lukes himself who argued that "A exercises power over B when A affects B in a manner contrary to B's interests."<sup>16</sup> In other words, A exercises power over B "by influencing, shaping or determining his very wants."<sup>17</sup> The three-dimensional approach introduces a sociological explanation for how political systems privilege certain groups and issues to the exclusion of others. The third-dimensional approach emphasizes that

decision makers operate within an institutional and normative framework which is most often underpinned by a dominant ideological position which in turn is shaped by the nature of economic and social relations in society. In other words, ideological positions, almost by definition, serve particular interests. If the particular interest of a group or class is served by the dominant ideological position, then this can be viewed ... as the crucial basis of their power.<sup>18</sup>

Power, therefore, can be understood in three ways: (1) articulating and providing information regarding one's interests; (2) agenda setting and/or vetoing initiatives; and (3) receiving ideological support for specific policies or, indeed, engendering ideological support for one's policies.

Power, of course, is shared by state and societal actors alike. Pluralist and Marxist scholars have long recognized that business/firms hold power similar to that held by states. Instrumental business power refers to the ability of business groups to influence decisions by political authorities either by providing information, lobbying, contributing campaign money and/or by seconding business people to government staffs.<sup>19</sup>

The structural power of business focuses on the ability of business to set the political agenda by deciding which problems or issues should receive the attention of political authorities or government leaders, and which ones should not. The power of business lies in the capacity to restrict the choices and, therefore, the decisions available to government.<sup>20</sup> When business disagrees with government activity, it can threaten to remove its investments or "exit" the market.<sup>21</sup> Because politicians depend on a strong economy to keep voters happy and themselves in office, the result is "an unspoken deference of administrations, legislatures, and courts to the needs of business."<sup>22</sup> For this reason, Charles Lindblom maintained that business occupied a "privileged position" in society and, especially, in the eyes of government.<sup>23</sup> Some authors have even argued that multinational firms are "superprivileged" in this regard.<sup>24</sup> Of course, the privileged or superprivileged position of business does not remain constant -- but varies according to the political climate of the times.<sup>25</sup>

The ideological power of business also is recognized by Lindblom. Not only can the position of business in relationship to formal state bodies be enhanced by the dominant ideological power -- but business itself can influence this power by shaping the views of the public.<sup>26</sup>

While the focus of this paper is on agenda-setting power, all three dimensions are important in agenda-setting. For example, if business groups want to threaten to exit the market, this information must be communicated to the politicians. Similarly, the credibility of the threat will be determined, in part, by the dominant ideological position in society. As discussed below, providing information, setting the agenda, and engendering political support are all powers of big business in the EU today.

## II. Three Obstacles to Understanding the Agenda-setting Power of Business

While Marxist and pluralist scholars have identified the agenda-setting power of business, EU scholars have not readily acknowledged this influence in EU affairs. There are at least three reasons -- three obstacles -- that have prevented scholars from recognizing this important element in EU policymaking today. As suggested below, the obstacles are intertwined and thus, reinforce one another in many respects.

### Revisiting History

The manner in which the history of the EU has been interpreted over the years has proven to be an important obstacle to understanding the political role of big business today. For American students of EU studies, EU history largely comes from the earliest writing of neofunctionalist scholars, notably Ernst Haas. In *The Uniting of Europe*, Haas identified the various groups present at the creation of the European Coal and Steel Community, including the coal and steel interest groups.<sup>27</sup> Studies later documented the number and type of European industry groups created in response to the European Economic Community in 1958.<sup>28</sup> Of course, Haas later went on to discuss the potential role of these groups in the future integration of the Community.

As a result of Haas and other's writings, many academics have assumed that business groups -- including large European firms -- have always been strongly involved in EU policymaking. Indeed, in discussing the role of business groups in promoting the Single Market program, one scholar rightly

pointed out that business groups, present since the Community's inception, had been arguing for an integrated market ever since.<sup>29</sup> To suggest that these business groups were important to the 1992 process, therefore, one would have to make the case for why government leaders finally listened to them after 30 years.

Until recently, these assumptions of business activity over the years have largely gone unchallenged. In revisiting the history of business involvement in the Community today, however, one emerges with a very different interpretation of the role and activities of big business.<sup>30</sup> In the early years, Jean Monnet viewed large European companies as too nationalistic to support the European project, and excluded their leaders from the roster of his Action Committee for Europe. For their part, the firms were largely uninterested in Monnet's plans. Large companies saw more potential in the development of the General Agreement on Tariffs and Trade than they did in the nascent Community. As a result, the Common Market was laid and developed without the input or support of big business. Moreover, early studies reveal that while several business groups were set up in Brussels in the 1960s, many (including the peak business organization) were created as a defense mechanism vis-à-vis Community actions.<sup>31</sup> The groups did little more than monitor Commission activities and report back to various national officials. There was little of the "lobbying" activity evident today. Relations between the Commission and business groups were strained: Commissioners often were "aloof" and uninterested in meeting with business representatives.<sup>32</sup>

This overview of the early history reveals quite a different role for business groups in EU affairs. Far from being dynamic actors key to the integrative process, industry groups -- and large firms in particular -- were minor participants. The first history lesson reveals, therefore, that in the early years of the Community, prior to the mid-1970s, the "politics [or agenda-setting role] of big business did not matter" because the influence of European-interest groups was negligible.<sup>33</sup>

The situation began to change by the mid-1970s when a handful of these large companies -- primarily British and American -- started to pay attention to Community activities such as the Commission's "Multinationals Program" designed to monitor the activities of multinational firms, and the European Court of Justice's competition policy rulings directed at the same companies. Unlike earlier Community policies, the Commission and Court's actions in the 1970s would have a direct effect on the bottom-line of the large companies. Moreover, the firms -- not the member states -- would likely bear the implementation costs of these policies. By the late 1970s, therefore, a number of large companies began to organize themselves at the EU level to monitor and lobby against EU activity. Moreover, they did so due to the perceived inability or unwillingness of member states to protect the MNEs' interests.<sup>34</sup>

The turning point occurred in the early 1980s when members of the European Round Table of Industrialists (ERT) developed a new relationship with the European Commission, met directly government leaders, and conducted private campaigns to relaunch Europe with an industrial initiative, the Single Market program. The ERT ushered in an unprecedented era of political activism -- an activism that continues today. In the European Union of the 1990s, the ERT spells out its industrial agenda in private meetings with heads of state and government or tête-à-têtes with leading Commissioners. Recognized as one of the most powerful lobbying organizations, the EU Committee of the American Chamber of Commerce operates a legislative intelligence network involving hundreds of company representatives.<sup>35</sup> MNEs now occupy key policy positions within UNICE (the peak business organization), second company representatives and provide funds directly to the European peak business association to strengthen the lobbying positions of both national- and European-level business groups.<sup>36</sup> In short, large European companies have become political actors in their own right.

The mobilization of these large companies in the 1980s reveals another important history lesson. Whereas business activity did not matter in the early years of the Community, beginning in the early 1980s, large firms began to mobilize at the EU level and exert considerable influence in the policymaking process. Today, the power of big business simply cannot be ignored.

#### The Early Theory: The Non-Political Role of Business

As suggested by the discussion of Haas above, the early theories of European integration represent a second obstacle to the recognition of the power of big business. Neofunctionalism, as developed by Haas and others, highlights the shifting loyalties and expectations of business toward a new European

center. There is a problem, however, in attempting to apply neofunctionalism to the agenda-setting roles of big business today. While neofunctionalism focuses on the “attitudes” of societal actors such as business, the theory does not shed light on “the nature of interest representation and intermediation in the Community.”<sup>37</sup> More specifically, while Haas developed a “theory of interest politics,”<sup>38</sup> neofunctionalism lacked a theory of “politics.”<sup>39</sup> Even though neofunctionalism borrowed from pluralist and interest groups theories of the 1950s and 1960s, the theory did not confer “power” capabilities onto societal actors. In the neofunctionalist scheme, big business groups would provide “inputs” into the European system. They would not, however, play a political role and set the Community agenda.

Of course, intergovernmentalist scholars, led by Stanley Hoffmann, argued that European integration was not due to the activity of technocratic elites or interest groups at the supranational level, but rather, was the result of zero-sum bargaining on the part of the Member States.<sup>40</sup> Intergovernmentalism focused on the power and bargaining of national government actors.

Intergovernmentalism also suggested that domestic groups were important determinants of EC policymaking. Indeed, studies on European business groups in the 1970s appeared to confirm the intergovernmentalists’ arguments. Scholars noted that neofunctionalism had overstated the role and influence of European-level business groups. The studies found instead that national business associations preferred to utilize their own government contacts as opposed to Commission ties to influence EU policymaking.<sup>41</sup>

Today, both theories pose obstacles for understanding the political role of big business today -- but for very different reasons. Neofunctionalism created an expectation that business groups had and would continue to serve as important integrative forces in the Community. The evidence for this assumption was rather weak. It is interesting to note that neofunctionalist scholars did not produce any studies to support their theory of interest groups. Equally important, however, neofunctionalism did not provide scholars with the means to assess the political power of firms. The theory focused on “attitudes” -- not power -- of European-level interest groups.

The obstacle posed by intergovernmentalism is found not so much in its introduction in the 1960s -- indeed, Hoffmann was probably correct to ignore EU-level interest groups during this period -- but in its reaplication by other scholars in the 1980s and 1990s.

#### The “New” Theories: The “New” Reality?

The “new” European integration theories and, to a lesser degree, comparative politics theories applied to the EU pose a third obstacle to identifying the agenda-setting role of large firms in the EU today. When American scholars renewed their interest in the EU the late 1980s and early 1990s, many revived and championed intergovernmentalism in one form or another as the dominant explanation for EU policymaking today.<sup>42</sup> These academics, therefore, resumed the focus on member state activity. That is not to say that these scholars ignored the role of business completely in European integration. The new strains of intergovernmentalism, for example, have acknowledged the potential influence of domestic business groups on the bargaining positions of state leaders.<sup>43</sup> However, by focusing solely on the nation states and domestic preferences, the current literature does not recognize the political power of firms organized at the European level.

One reason for this emphasis on nation states and omission of European-level non-state actors is because the new intergovernmentalist scholars tend to focus on “formal institutions” or “political practices” such as voting rules.<sup>44</sup> Many find the examination of “formal institutions” to be appropriate due to the parsimony of this approach. A second reason for this emphasis may be due to the scholars’ historical view of the EU, as mentioned above. Despite changes in the power and activities of different actors mobilized at the European level in the 1980s, the old historical perspective prevails.<sup>45</sup> Of course, another reason for this emphasis on nation states is that empirical evidence suggests that this conceptualization can explain certain policy areas in the EU. For example, the dominance and power of member states in negotiating matters related to Common Foreign and Security Policy corresponds well with this theoretical model.<sup>46</sup> The problem, however, is that the new intergovernmentalist theories do not appear to explain the policy process, actors, or power distribution in many other policy areas of the EU.

Interestingly, European comparative politics (CP) scholars, using pluralist theory, have begun to identify the mobilization and lobbying activities of European interest groups, including large firms.<sup>47</sup> By examining the politics of the Community -- what the Community is -- as opposed to European integration per se, CP scholars can explore business involvement in the EU with theoretical tools such as “countervailing power,” “interest group stasis,” and “the theory of plural elites.”<sup>48</sup> Still, the developing CP literature is not wholly satisfactory for a couple reasons. First, the new literature tends to place great emphasis on “lobbying” -- informing the process -- but ignores the agenda-setting and ideological powers of business. Second, the literature often stops short of identifying the outcomes of corporate lobbying. Often, it is not enough to know why or how groups lobby -- or why and how firms set agendas. One also must recognize the relationships among policy actors as well as the different opportunities or constraints facing the companies. The choice of role and activities of large firms will depend on the distribution of power among policy actors.<sup>49</sup>

### III. Institutions and the Agenda-Setting Power of Big Business

How can one begin to understand, therefore, the agenda-setting power of large firms in EU policymaking today? In this paper, I suggest that what is missing in the current literature is not only the recognition of the lobbying of interest groups at the European level, but, equally important, the acknowledgment of the institutions -- the organizational framework and relationships that highlight the power distribution among the policy actors. Peter Hall defines institutions as “the formal rules, compliance procedures, and standard operating practices that structure the relationship between individuals in various units in the political economy.”<sup>50</sup> The role of institutions, however, is not limited to a EU’s “formal political practices” -- as suggested by current intergovernmentalist theory. Rather, the role of institutions also is located “within society and the economy.”<sup>51</sup> It is not only the relationship between big business groups and EU bodies that matter, it is also the organization of the economy and the organization of the business groups themselves that matter. As Hall points out, these institutions are important for a number of reasons.

First, policy is generally formed in response to pressures from various groups according to the interests those groups have in the outcomes of policy-making. But the facility with which specific interests can be articulated and the force with which they can be pressed on policy-makers is dependent upon the organization of the structures within which they are expressed. Secondly, and of equal importance, the very interests of the actors themselves are critically affected by the organization of the economic and political structures within which they operate. . . . Thirdly, policy-making is invariably a collective endeavor. . . . The structure of [societal] organizations has an immense impact on the nature of the policies produced. . . . Finally, in order to implement economic policy, the state relies on access to organizational resources in both the public and private sectors.

To understand the agenda-setting power of large firms in the EU policymaking process, one also must acknowledge the “institutional features” that “organize the behavior of the actors [all actors], and structure the conflict.”<sup>52</sup> State-society institutions are important because they influence the manner in which power is distributed among participants and directed in the policy process.

On the one hand, the organization of policy-making affects the degree of power than any one set of actors has over the policy outcomes. As Weber . . . noted, that should be particularly true in the modern era, when politics and administration have become increasingly organized activities. On the other hand, organizational position also influences an actor’s definition of his [her] own interests, by establishing his [her] institutional responsibilities and relationship to other actors. In this way, organizational factors affect both the degree of pressure an actor can bring to bear on policy and the likely direction of that pressure.<sup>53</sup>

By introducing a larger institutional framework to the policy analysis, for example, one can begin to understand why large European companies first emerged as important policy actors. In the discussion of EU history above, it was revealed that relations between firms and Community bodies were altered significantly in the early 1980s. The relations changed for a number of reasons. First, the

Commission, notably Commissioner Etienne Davignon, recognized that the large firms could provide information, ideas and support for initiatives at the EU level.<sup>54</sup> By opening channels to industry leaders in the late 70s and early 1980s, the Commission enabled big business to view the European body as a positive forum through which the concerns of industry could be promoted. Second, the organization of the economy itself also influenced the change in relations. After the Eurosclerosis of the 1970s and the growing global competition in the 1980s, Community and member state officials were cognizant of the need to address the economic malaise of Europe and to avoid policies that might further discourage industrialists from investing and expanding their production. Thus, by the early 1980s, the ideological support for industry concerns emerged. At the same time, the firms themselves recognized the need to pursue European solutions to challenges posed by the organization of the European economy.

The mobilization of European multinationals at the EU level, the restructuring of the European economy, and the new relationships between business and Community bodies revealed that significant institutional change had occurred in the EU. Moreover, this alteration in EU institutions was not due to some “formal” rule change such as the adoption of the qualified majority voting system. Indeed, the mobilization of European big business began long before the negotiations, adoption and ratification of the Single European Act.<sup>55</sup>

Today, it is not only the organization of the economy and the relations between state and society that matter. The organization of the big business groups also impacts the power of these firms. Unlike other societal groups mobilized at the EU-level (i.e. labor and consumer groups), trans-sectoral big business groups tend to be better financed, better represented in Brussels, and better able to coordinate their activities with one another. The ERT, EU Committee of AmCham and UNICE<sup>56</sup>, for example, regularly exchange information and policy positions among themselves. Moreover, a separate organization, the European Enterprise Group, serves as a coordinating forum for the three organizations.<sup>57</sup> As a consequence, the large firms are capable of forging a strong united front on many of the most important issues facing industry today.

#### IV. The ‘Business’ of Agenda-Setting

The explanatory appeal of this larger institutional approach is apparent when one contrasts it to the “formal institutions analysis” of many intergovernmentalist scholars. For example, one might argue that the formal policy practices (including formal voting rules) give the heads of state and government organized at the European level greater access to information to set the agenda. Let us assume that this is true.<sup>58</sup> But where do the heads of state and government get this information? And what is the nature of this information? Is it based on an “objective” analysis of the “overall national interest” or of “domestic preferences”? Or does the information embody a particular conceptualization of both the “problem” and the “potential solutions” presented to them, for example, by a group of multinational firms organized at the European level?<sup>59</sup>

The acknowledgment of state/society institutions allows for a less static view of the EU. This larger institutional approach provides a more dynamic understanding of the EU policymaking process. Moreover, it enables one to better understand the agenda-setting role of big business in the EU today.

#### The Early Agenda: The Single Market

One of the first and most important examples of the agenda-setting power of big business was the role of the ERT in promoting the 1992 Single Market program.<sup>60</sup> In many respects, the origins of the Single Market program can be traced to the economic malaise of the 1970s. While many of the largest MNEs emerged from the 1970s with a positive balance sheet, leading executives recognized that they could no longer afford to operate their companies as they did in the post-war economic boom. In particular, the internal organization of their subsidiaries across Europe posed problems for European MNE executives. The “federated national companies”<sup>61</sup> structure employed by some European MNEs was no longer viable in the face of global competition in the 1980s. Indeed, the cost structure of maintaining self-contained subsidiaries with separate R&D facilities was prohibitive, especially in light of foreign competition that could supply European consumers with quality goods at lower cost.

Structural change in the economy as well as the organization of the firms themselves, therefore, played an important role in the mobilization and activities of the industrialists.

MNE officials realized that "getting a grip on the cost structure is a political issue."<sup>62</sup> Reorganizing the structure/organization of these firms would require corporate executives to pare back budgets, close factories, combine R&D facilities and layoff workers. The company officials, therefore, faced political difficulties with Member States -- especially the social welfare states of continental Europe -- in carrying out company reorganizations.

The industrialists realized that changes in government regulation were necessary -- changes that would require both national and Community involvement. What was needed was a European regulatory framework and market. In the early 1980s, however, industrialists were not convinced that national government leaders would be able to conjure up the political will to secure the European regulatory framework. While the European Council -- was a logical group to address the economic situation, the political leaders failed to take decisive action on European regulatory matters. They remained preoccupied with national matters. Moreover, the Commission itself proved too weak to mount any major internal market campaign. Commission President Gaston Thorn was viewed as a rather ineffective leader and the Commissioner appointed to Internal Market matters carried little clout both in and outside the Commission. The MNEs also recognized that their national business associations -- either alone or as part of the European association -- were unwilling or incapable of taking positive action.

In 1982, the industrialists began to speak out. Pehr Gyllenhammar, Chief Executive Officer (CEO) of Volvo, the Swedish automobile manufacturer, promoted what he called a "Marshall Plan for Europe."<sup>63</sup> Gyllenhammar maintained that an overall scheme was necessary "to spur growth, and to build industry and infrastructure" in Europe.<sup>64</sup> The Swedish entrepreneur called on European industry to "play an active and important role in the formulation of the industrial strategies for future growth," noting that "co-operation on a European level will be necessary."<sup>65</sup>

In 1983, with the active support of Commissioner Davignon, Gyllenhammar formed a cross-sectoral group of leading CEOs to promote the industrial strategies.<sup>66</sup> The group became known as the European Round Table of Industrialists (ERT) and was modeled, in part, after its American counterpart, the Business Roundtable. In time, the underlying purpose of the ERT was agreed upon -- namely, to promote a unified European market.

For the industrialists, a unified market represented a key public good -- namely, a larger European regulatory framework. Initiatives were necessary to stimulate investment in technological development and industrial growth while firms undertook painful restructuring operations. Trans-European networks were needed to ensure the free flow of goods, services, people and ideas. In other words, political measures were necessary to actively promote the development of a competitive Europe. A socio-political framework was necessary to develop a more positive business environment in Europe. 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.

The ERT embarked on a level of political activism unprecedented for European industrialists. The CEOs promoted their Single Market agenda through widely-publicized projects such as plans to create European infrastructure projects. The ERT's Missing Links infrastructure program, for example, is viewed as an important forerunner to the Channel Tunnel initiative. The MNE group also advanced their ideas through political contacts with heads of state and government within the Community. Indeed, the ERT was a major player behind French President François Mitterrand's decision to reinvigorate the EC through a major industrial initiative in 1984. Through meetings in the offices and homes of the president's top aides, ERT members directly influenced Mitterrand's decision in September 1983 to relaunch Europe with an "industrial initiative." While Mitterrand's "turn toward Europe" was critical in revitalizing the Community, the president's policy agenda largely had been set for him by the ERT.

In January 1985, when French and EC officials proved unable to produce a concrete program for a unified European market, Wisse Dekker, the CEO of Philips, unveiled his own plan, "Europe 1990." Presented at a major gathering in Brussels, the plan also was sent to key political leaders in Europe.<sup>67</sup> The plan laid out the precise steps needed to create a unified market in four key areas -- trade facilitation (elimination of border formalities), open public procurement markets, harmonized technical standards and fiscal harmonization -- by the year 1990. The ERT publicly endorsed the Dekker plan.



“Europe 1990” was viewed by many as the precursor to the Cockfield White Paper, the document that outlined the Single Market or 1992 program issued six months later.

ERT members played a vital role in ensuring the acceptance and implementation of the Cockfield White Paper. First, in a practice that developed with the Delors Commission in 1985, the CEOs appeared publicly with Commission officials to demonstrate their support for the 1992 project to the nation-states. In effect, the CEOs served as an important constituency for Commission officials who, as appointed officeholders, held no political legitimacy of their own. Second, ERT members actively promoted the Single Market program to domestic business organizations and in their contacts with political officials. British MNEs, for example, sought to influence domestic industry groups through public meetings, including events featuring Lord Cockfield. In 1986, when Member States’ intransigence put the future of the Single market program in question, the ERT created a special sub-group of CEOs to lobby governments directly with a simple message: support the Single Market program or European industry will invest elsewhere.

The MNE group also took a keen interest in the governments’ decision on the Single European Act (SEA). ERT members, however, did not seek to influence the intergovernmental conference negotiations. After all, the general foundation for the Single Market program was already provided in the White Paper. The remaining governmental debates over European Parliament power and procedures were of little importance to the industrialists. What did matter was the political will of the national leaders to take the decision to follow through with their commitment to the Single Market.

Wisse Dekker contacted over thirty CEOs, including the EC members of the ERT, to send a strong concerted message to the European Council that would meet in Luxembourg for a final vote on the SEA. The message telexed to the Council members in the different EC languages was straight-forward: decide one way or another, but decide. Industry will then make its own determinations as to the future of its investment and growth strategies.

As leading industrialists based in the European Communities ... we urge you to exercise your full influence so that the forthcoming topmeeting [sic] will produce concrete results. Stop. Not only is the credibility of European political leaders at stake but European industry badly needs a clear signal that the major objectives of the Treaty of Rome will be realised within the next 5 years. Stop. Even a clear statement that this would not be the case, would -- although not hoped for -- be helpful as this would end the prolonged period of uncertainty with which industry has to cope under the present situation and which forms a significant obstacle on the way to expanding our activities and intensifying our efforts to build a strong and competitive European position.... 68

The SEA was formally signed by the Member States of the Community at a ceremony in Luxembourg on February 17, 1986. While there is no evidence to suggest that the telex directly influenced the final vote of the European Council, the telex represents the first time that major European multinationals united to speak out forcefully on a treaty decision taken by the heads of state or government of the Community. The “Dekker telegraph,” also reveals the willingness of European big business to issue an explicit threat to national politicians to move ahead with the European project or contend with the exit of large firms from the European marketplace.

The story of the ERT in setting the agenda for the Single Market program points to a number of important institutions: the organization of the European economy, the organization of the firms themselves, and the new institutional relations forged between business leaders and Community and Member State officials. It reveals the willingness of European big business to set the agenda in European matters. As Commission President Delors noted, the success of the 1992 program was due largely to European MNEs who “made a lot of it happen.”<sup>69</sup>

#### After the Single Market

The mobilization of the ERT and other big business groups at the European level has important implications for EU policymaking. Now that these firms are organized in Brussels, they can take advantage of the developed institutions to participate in other policy arenas. Big business groups can interject their agendas, ideas and ideological views in matters that were traditionally reserved for member states or other formal EU bodies 20 years ago.

Today, for example, the EU Committee of the American Chamber of Commerce, (the “EU Committee”) is recognized as one of the most powerful groups in Brussels today precisely because of its involvement in EU policymaking and its elaborate information network. By gathering the lobbying data of some 600 MNE representatives and company experts, the EU Committee can propose EU legislative changes long before the national leaders or their representatives review the formal proposals. The EU Committee also plays a discreet role in setting the Community agenda. About 15 percent of the group’s work involves studies or projects requested by Commission or European Parliament officials. In practice, this means that the EU Committee can propose its own legislative agenda to these individuals.

The European Round Table of Industrialists (ERT), in particular, is recognized for its agenda-setting power in the EU. As a strategic player in EC matters, the ERT serves an “an idea generator” in a number of areas such as social policy, employment, infrastructure and telecommunications.<sup>70</sup>

Of course, big business does not participate in every EU policy decision or policy arena. According to big business representatives, however, the firms must pursue two important roles.<sup>71</sup> On one hand, large firms must attend to the “bread-and-butter issues.” Companies, after all, must protect their bottom line. On the other hand, European big business also believes it must play a “political role”<sup>72</sup> as well to ensure the development and maintenance of “Europe.” Both of these roles are discussed below.

### The Bread-and-Butter Role

Most companies become participants in the EU policymaking process in order to follow and influence those policies that deal directly with the day-to-day functioning of the firm. These are the “bread-and butter” issues.

### Employment, Industrial Relations and Social Policies

One bread-and-butter matter where large firms have exerted considerable influence is in the broad area of EU employment, industrial relations and social policies. Since the early days of the ERT, firms have emphasized the need for governments to move away from traditional subsidy programs and to lessen the labor restrictions on employers so that firms can compete more effectively in the marketplace. Business leaders argue that by becoming more competitive, the firms will be able to grow and hire more people. The word “competitiveness” has become an important term in the MNEs’ lexicon.

While it may be argued that the European Commission “set the agenda” in the early 1990s by issuing the White Paper on Growth, Competitiveness and Employment,<sup>73</sup> MNEs played an important role in shaping the document. The fact that the word “competitiveness” appears in the title is one indicator of their influence.<sup>74</sup> Interestingly, the White Paper was unveiled by then-Commission President Jacques Delors at a December 1993 press conference sponsored by the ERT.

The ERT, however, has pushed the competitiveness agenda further by promoting its own conceptualizations of the “problem” and “solution” on this matter. At another December 1993 press conference, for example, the ERT presented a report, *Beating the Crisis*. In this report, the ERT called for the creation of a “Charter for Industry” (a direct reference to the EU’s Social Charter) through which nation-states would commit themselves to a strategic approach to industry. As part of the charter, the ERT proposed the establishment of a European Competitiveness Council comprised of industry, government and science representatives.

The ERT reiterated its demand for a competitiveness group in a November 1994 report, *Competitiveness -- the Way to Growth and Jobs*, designed to communicate the ERT’s views to the European Council. The proposal was discussed the following month at the Essen European Council meeting where Delors “told the heads of government at Essen that they should adopt the idea because it had strong ERT support.”<sup>75</sup> The “Competitiveness Advisory Group” was endorsed by the Essen European Council. The Commission formally announced the creation of the group “on the basis of President Santer’s proposal” on 14 February 1995.<sup>76</sup> (Apparently, the original authorship of the idea was no longer important!) The purpose of the group is to

make an independent report every 6 months to the President of the Commission, the Prime Ministers and Heads of State of 15, prior to each European Council the state of the European Union's competitiveness and to advise on appropriate political priorities and policy changes to enhance European competitiveness.<sup>77</sup>

Not surprisingly, several current and former ERT members were selected to the group. While it is too early to know the actual influence of this group, the fact that it is recognized as an official advisor to the formal EU bodies gives the ERT further input into the policymaking process. In a sense, the group gives business leaders a formally sanctioned agenda-setting role in EU competitiveness matters. This point was made by the ERT in its own press release on 15 February 1995.

The proposal from the Commission reflects the essential concern of Industry: to establish a strong group which includes practical business experience at the highest level and which has a clear mandate to give independent advice on strategic competitiveness issues . . . . From now on every effort should be made to set clear policy priorities for the European Union, drawing on the Group's recommendations and targeted at the long-term strengthening of the European economy.<sup>78</sup>

Of course, just as big business can set the agenda for specific policy proposals, so too can it attempt to veto the pursuit of policies not to its liking. In many respects, the recent decision by the Commission not to pursue stronger Social Policy measures in the area of workers' rights can be attributed in part to the actions of the ERT and other large firms. Indeed, media reports suggest the Commission was "bowing to employer demands that competitiveness and job creation should become its main priorities."<sup>79</sup> The "warnings" by such leaders as Daimler Benz<sup>80</sup> that firms would be forced to take their investment dollars elsewhere due to high wages and inflexible working practices undoubtedly served as an important veto on any further Social Policy developments. These warnings reinforced the ideological power of these firms as well.

## Infrastructure

Infrastructure is another key area where the ERT continues to set the EU agenda. Trans-European networks, for example, are vital to the free flow of goods, services, people, and capital in the EU market. As suggested above, the ERT's role began with the development of the 1984 Missing Links program. Today, the business group employs different tactics to promote the infrastructure agenda.

In December 1992, for example, the ERT presented another report, *Rebuilding Confidence*, to the heads of state and government at the Edinburgh summit. The report outlines a straightforward four-point action plan to attack the economic recession and to end the political crisis surrounding the Maastricht Treaty. Members of the ERT reminded governments of the need for concerted action despite the state of crisis, and aggressively promoted increased infrastructure funding as a first step in alleviating the economic malaise. While the Edinburgh summit will not go down in EU history as an exemplary meeting, the European Council did agree to spend \$200 billion on infrastructure projects.<sup>81</sup>

In March 1994, the ERT created the European Centre for Infrastructure Studies (ECIS) in Rotterdam. ECIS is charged with improving the flow of information among specialist groups, private and public decision-makers as well as users, suppliers and the financial community. The Centre is viewed as the think-tank and clearinghouse for future EC infrastructure studies. While set up as an ERT project, ECIS today operates as a non-profit association supported entirely by membership subscriptions and research contracts. In this respect, the ERT has launched a separate agenda-setting body for infrastructure matters in the EU today.

## The Political Role

Some big business leaders also find that they must also play a larger "political" role in the Community. These industrialists are committed to influencing the direction and evolution of the EU itself. In doing so, they can shape the socio-political framework necessary for a positive business environment.<sup>82</sup> For this reason, the large companies must ensure that member states do not renege on

their EU commitments. For MNE groups mobilized at the European level, the possibility of reverting back to national regulatory frameworks simply does not exist. The ability to create a strong European market society -- including balanced social and environmental regulations, proper education and research opportunities and functional trans-European networks -- is vital. Moreover, the need to ensure the proper functioning of the European system -- to ensure that decisions are made in a timely, efficient manner -- is imperative. Thus, even the "formal policy practices" and "formal institutional design" of the EU are of interest to these business groups.

In the 1990s, business leaders are concerned with the perceived inability or unwillingness of member states to take positive action in support of the EU. As a result, ERT industrialists have responded to what many perceive as a "crisis of leadership" in national governments.<sup>83</sup> As a senior ERT secretariat official explains:

Industrialists observed in the Maastricht crisis . . . [that] governments are saying: "We don't want to give up our sovereignty," "We don't want this or that interference from Brussels." But on the whole, governments are not saying "What's the best way of running the system? How do we make European industry efficient?" Governments don't really care about that. And so we have to make our views heard, in the same way as we did in the '80s, and say "industry needs the development of Europe."

. . . You see, crisis produces response. And the more the industrialists feel that the politicians are making a complete mess of things, the more strongly they will feel to intervene. There's no percentage in being silent.<sup>84</sup>

In playing the political role, business groups such as the ERT believe that they must play a greater role in setting the agenda -- identifying the problems and solutions for the member states. Moreover, they must serve as "facilitators" for the European Commission. As one business representative noted, "multinationals are the Commission's best friend."<sup>85</sup> The member states, however, are often perceived as the "worst enemy."

The same ERT secretariat official explains the situation this way:

. . . Governments are pleased to regard themselves as sovereign decision-makers. . . . [I]n fact they are very much at the mercy of conflicting pressures and severe constraints. Indeed the powerlessness of governments is one of the important themes of our time.

What the ERT does is to help and encourage governments to move in certain directions. We do this by providing analysis and advice, by posing questions and influencing the general climate of opinion and by warning of the consequences of mistaken policies. In other words, we add to the pressures.<sup>86</sup>

In the attempt to set the agenda in the political arena, the ERT has developed a strategic approach to these issues. ERT members continue to negotiate regularly with Commission officials to promote (or withdraw) particular legislation or distributive policies. However, they have placed special emphasis on influencing discussions during the European Council meetings. Every six months, for example, ERT members meet with leading national officials (usually the president or prime minister) of the country currently holding the Council presidency of the EC to express the industrialists' goals for Community action. In addition, the ERT has created a series of "mega-reports" formally issued to the European Council and disseminated to a wide audience, including members of the media. The purpose of these public reports is to spell out in clear language an agenda for Europe, the problems that must be addressed, and the strategies for facing these challenges. The reports are designed to promote action on the part of member states as well as to influence the ideological debate surrounding the future direction of the Community.<sup>87</sup>

In September 1991, the ERT published its first mega-report, *Reshaping Europe*, designed to outline an agenda for the 1990s. The 64-page document was prompted by the numerous changes occurring in Europe -- the unification of Germany, the emergence of free nations in central and eastern Europe, the new trading patterns and ever-globalizing financial markets, the crisis in the Gulf states, as well as the decision to move towards monetary and political union in Europe. With governments in

disarray, the ERT outlined several basic steps that Europe's political leaders could take to move the Community forward.

Other mega-reports include *Rebuilding Confidence* presented to European Council meeting in Edinburgh, and *Beating the Crisis*, issued at the time of the White Paper on Growth, Competitiveness and Employment. With each mega-report, the ERT has launched an accompanying media campaign. The report *Beating the Crisis*, for example, received considerable coverage by the European press, radio and television. Over twenty-two thousand copies of the report were printed in French, German and English. Two ERT members also issued Dutch and Italian versions.<sup>88</sup>

#### Other agenda-setting venues

The agenda-setting role of big business is not limited to the traditional EU policymaking process. Like other societal groups, large firms are willing to use the European Court of Justice to promote their regulatory agenda. The recent decision of Hoechst, the German-based chemicals group, to challenge the UK government's right to tax the dividends paid by the UK subsidiary of Hoechst to the parent company, is illustrative of this action.<sup>89</sup>

Moreover, like the member states, European big business plays on many different levels in the EU. While organized at the EU level, large European companies also use their power to influence domestic preferences and to promote European agendas in the EU. French ERT members, for example, were active participants in the Maastricht referendum. In recent years, German business leaders have proven to be important spokespersons on European issues in the national media.

#### Conclusion

To be certain, further research is needed to identify more precisely the policy arenas in which the large firms will seek to influence the EU agenda, the conditions under which they will be successful, as well as the reasons for non-success. Additional investigation is necessary to recognize when the large business groups are acting alone or in tandem with other Community bodies.

The purpose of this paper, however, was to take an initial step in highlighting the agenda-setting power of European big business. As suggested in the beginning, there are a number of obstacles that prevent scholars from acknowledging this new role for large firms in the EU policymaking process. Yet the empirical evidence in this paper reveals that European big business can and does set in the agenda in a number of policy areas. To understand the political reality in the EU, therefore, one must be willing to reexamine historical conceptions and traditional theoretical approaches. To understand the agenda-setting role of these companies, one must acknowledge the larger state-society institutions in the EU today.