

# **ASSESSING THE DEGREE OF INFLUENCE AND ROLE OF BUSINESS IN EUROPEAN POLICY-MAKING: EVIDENCE FROM TRANSATLANTIC BUSINESS DIALOG**

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## Abstract

The fact that business has broadened its political activities in recent years has led to concerns that business is too influential in shaping of European policies. This paper's core interest is theoretically and empirically to examine the question of how much influence business actually exerts and to what extent it contributes to European policy-making. The paper particularly investigates the conditions under which business exerts influence and how the relations are structured between the business and decision-makers at the European level. The analysis of the case study and empirical evidence collected in qualitative interviews with Brussels based lobbyists suggest that business has become established successfully as important player within European policymaking, however it is not so influential as commonly anticipated, as public officials have a monopoly over the influence that they grant and keep control over whom grant influence and at what stage of the process. In other words, public officials are the only actors that possess the legal right of decision making and determine final policy outcome.

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# Table of Contents

<b>ABSTRACT .....</b>	<b>II</b>
<b>ACKNOWLEDGEMENTS .....</b>	<b>III</b>
<b>INTRODUCTION .....</b>	<b>1</b>
a. Literature review .....	2
b. Methodology .....	5
c. Thesis structure .....	6
<b>CHAPTER 1: ADVANCING THE US-EU MUTUAL RECOGNITION AGREEMENT .</b>	<b>7</b>
1.1 The case of Transatlantic Business Dialog.....	7
1.2 Challenges in transatlantic trade .....	8
1.3 Reaching consensus .....	10
1.4 The conclusion of MRA.....	11
<b>CHAPTER 2: CONDITIONS FOR INFLUENCE.....</b>	<b>14</b>
2.1 Interpretation of influence .....	14
2.2 Factors conditioning influence .....	15
2.3 The importance of political will .....	16
2.4 Explaining relative influence.....	17
2.5 Business influence in the case of TABD .....	19
<b>CHAPTER 3: RELATIONSHIP BETWEEN BUSINESS AND THE EU INSTITUTIONS.....</b>	<b>20</b>
3.1 Pluralist and neo-corporatist interpretations .....	20
3.2 Comparative perspective.....	21
3.3 Emergence of elite pluralism.....	22
3.4 Gaining privileged access .....	23
<b>CHAPTER 4: EXCHANGE OF RESOURCES .....</b>	<b>25</b>
4.1 Resource dependency .....	25
4.2 Exchange relationship .....	26

4.3 Types of resources .....	28
4.4 Inadequacy of exchange .....	31
4.5 Exchange of resources in the case of TABD.....	34
<b>CHAPTER 5: INSTITUTIONALISATION OF BUSINESS INTEREST.....</b>	<b>36</b>
5.1 Structuring external input .....	36
5.2 The power of institutions.....	38
5.3 Structured involvement of business in the case of TABD.....	40
<b>CONCLUSION .....</b>	<b>42</b>
<b>REFERENCES .....</b>	<b>43</b>

# Introduction

As business became more politically active in Brussels, concerns have been raised over the dominant role of large firms in the European policy-making process. Some observers express opinion that business interest groups are too influential in policy-making processes and therefore constitute a danger for public preferences and the decisions of public officials. If business interest groups are indeed overly influential and deeply biased in favour of large economic interests, then they can endanger the political autonomy of policymakers and undermine the legitimacy of European Union (EU) institutions. The influence of business interest groups becomes an important question especially with regard to the role of business in policy-making. Despite the vast amount of case studies and increasingly theoretical works on interest representation (Coen 1997; Crombez 2002; Bouwen 2002; Eising 2005), the assessment of business interest group influence on policy-making remains weakly researched. Few studies have addressed the question of interest group influence (Michalowitz 2004; Woll 2007; Dur and De Bievre 2007), but no satisfying conclusions have been reached yet under which conditions business interest groups exert influence and what kind of influence is it. Research still leaves an important question for estimating the influence and impact of business interest groups on policy-making unexplained.

This paper aims both empirically and analytically at narrowing this gap. The core interest of this paper is to examine how much and what kind of influence business exercises at the European level and what value it adds to the policy-making process. It seeks to improve our understanding of how business interests can influence the making of the EU policies in a specific policy area or sector, under which conditions business has embedded itself in the

formal business-government forums and why the relations among EU institutions and interest groups are the major element of policy-making in the EU.

To address these questions, this paper describes the changing patterns of interest representation in Europe and developments that lead toward the institutionalisation of business influence on trade policy. It examines how business creates coalitions with governments and gains formal avenues for influence via a case study of the Transatlantic Business Dialog (TABD). This case is unusual in the sense that the TABD is a translational business lobby, deliberately organised by government in order to coordinate international trade and regulation issues. It demonstrates how the European Commission and US government create forums and institutionalise channels for industry influence. The TABD provides an interesting case study for international trade negotiations in general, as it represents substantial changes in trade-policy practices and first direct dialog between European business and the European Commission. Before the TABD, there were not such mechanisms for consultation with industry on external trade.

### ***a. Literature review***

The analytical assessment of literature clarifies the theoretical assumptions behind different studies on interest group influence and indicates direction for current research. Contemporary research mostly focuses on the analysis of (a) interest groups' influence (Michalowitz 2004), (b) studies power and resources available to the them (Woll 2007) and (c) explores the logic of business-government relations (Mazey and Richardson 2006; Coen 2007; Eising 2007). All these studies share the view that the interaction between EU institutions and business interest groups is an integral part of the governance in the EU.

Mazey and Richardson (2006: 253) express the hypothesis that “even if a European interest group system did not exist, the Commission would have to invent it as an essential building block of a European policy-making system”. They claim that the Commission has always been an institution open to input from special interest groups as consulting as many interest groups as possible is rational in terms of gaining the best information and knowledge. Coen (2007: 338) has a similar view defining EU institutions as “political entrepreneurs who seek to encourage greater stakeholder participation”. However, he argues, that in order “to achieve improved direct access to the institutions it is necessary to develop a broad political profile across a number of issues and to participate in the creation of ‘public good’” (Coen 2007: 338). More precise definition of access is provided by Eising (2007: 386) for whom it implies “either a successful attempt of an interest group to approach the EU institutions or the incorporation of an interest group into EU policy-making by these institutions”. He reasonably argues that the studying access pattern helps to identify those organizations that assume crucial positions in European political process (p.387). Particularly, he follows the assumption that the extent to which firms can affect the policy-making process in the EU is conditional on the degree to which EU politicians shape this process (p.395). This view is also shared by Woll (2007: 59) who conducting an empirical analysis of case study concludes that “the business is not all-powerful, as some observers seem to indicate, because its influence depends on the receptiveness of the government it interacts with”. Less formal explanation is provided by Coen and Grant (2006: 26) who simply state that “business influence mostly depends on the presence of business-friendly decision maker”. And it is true, as analysis in the following chapters will acknowledge an active role that public officials play in structuring external input and shaping behavior of interest groups.



Hence, different scholars provide various theoretical frameworks for assessing the factors conditioning interest groups influence. Michalowitz (2004: 35) provides an argument that the certain conditions must be fulfilled by interest groups to gain influence. According to exchange- theoretical concept developed by her the political system of the European Union consists of a number of institutions that are involved in the decision making process and have different demand for information (p. 36). Private actors are expected to have potential for supply that information for engaging in an exchange for influence over decision-making. In addition to the ability to supply information, Mahoney (2007) provides the further analysis of the determinants of influence. She identifies institutions, issues and interests as the factors determining lobbying success (p.38). To her view, whether the lobbyist is pushing for the status quo or promoting a new policy should have an impact on their lobbying success. Lobbyists who are interested in the status quo should be more likely to achieve their lobbying goals than those that promote a policy change. Her conclusion is that EU lobbyists are more likely to achieve compromised success- “a type of success that comes from policy resolutions where everyone wins” (Mahoney 2007: 45). These theoretical frameworks very well explain the relation between decision-maker’s and interest group, and will serve as a foundation for the analysis of the conditions of influence in the further chapters.

Increasingly, power and various types of resources are being defined as one of the bases of successful exchange relationship. Woll (2007: 57) studying power and resources distribution between societal and government actors claims that “it is more promising to look at resource distribution and the interdependence of both sides, instead of assuming the domination of business over policy”. Her more general conclusion is that “even when business appears to lead the dance, the impact of business depends on the interest government has in letting business play it’s role” (Woll 2007: 57). Above theoretical approach represents particular

interest for our study and is very useful for the purpose of our analysis of the questions of resources and influence.

Nevertheless, despite so comprehensive research in the field of interest representation, there have been very few attempts to explore empirically and theoretically the extent to which business exerts influence and provide considerable insight into the role of business in policy process. This paper makes strong focus on these two and aims at making contribution to above discourse.

## ***b. Methodology***

The methodology used in this paper includes empirical research and the analysis of the case study of the TABD. The case study allows the assessment of the validity of theoretical framework on relations between policymakers and business interests groups and actual influence of business on EU policy-making. This concrete case study was selected in order to establish, test and justify the hypothesis on the role of business interest in policy-making. It perfectly demonstrates how much influence business interest groups have and to which extent they contribute to trade policy-making. The theoretical framework for studying the influence and interaction between business interest groups and the institutions in the EU draws largely on the literature on EU interest representation and empirical research in the form of three expert interviews with Brussels based lobbyists conducted in May 2007. While the number of interviews conducted are insufficient to derive truly representative statement, interviews permit more analytical interpretations and conceptualisation of interest representation. The interviews enable the examination of the more general validity of the research findings and the empirical assessment of business influence on policy-making. The aim of the interviews are to get first hand information from people involved in lobbying practices and find out their

personal understanding of the role of business in the development of European policies, while the case study of the TABD sheds light on how business interest established a strong EU presence and influences trade policy outcomes.

### ***c. Thesis structure***

Chapter 1 illustrates the role of the European industry, members of the TABD, in the EU-US trade negotiations. It shows how European officials promote the competitiveness of the European pharmaceutical and electronics industry, through developing consultation process and creating mechanisms through which industry can influence trade negotiations. Chapter 2 focuses on analytical interpretations of influence and lays out the theoretical framework for analysis of factors conditioning business influence and especially, the importance of the core political interest of decision-makers in policy outcomes. For the analysis of conditions under which business interest can exert influence, Chapter 3 seeks to explain the creation of lobbying insiders and informational rationale of granting privileged access to some lobbyists. In order to construct the logic of business-government relations, the theoretical approach to concept of exchange and influence is used in the Chapter 4. It deals with the questions of resource exchange in combination with the criteria that the EU institutions apply when it comes to deciding whom to consult in making European policies. The distinctive institutional dynamics of the EU in the EU policy-making process is analyzed in Chapter 5. It explores the emergence of new institutionalized formal dialogue with business and active role that the Commission takes in structuring external input. The final part provides an important conclusion that could be drawn from the relationship between decision-makers and business interest groups in the context of the TABD.

# Chapter 1: Advancing the US-EU Mutual Recognition Agreement

This chapter describes the US-EU Mutual Recognition Agreement (MRA) negotiation process and challenges that US-EU officials faced when negotiated positions. It underlines an important role that the TABD played in MRA negotiations, which led to consensus between officials and ended up in an agreement. Much of the background information in this chapter is taken from articles written by political scientists Cowles (1999) and Devereaux and et (2006), who extensively studied the role of the TABD in MRA negotiations.

## ***1.1 The case of Transatlantic Business Dialog***

This case was selected as being highly distinct for European trade policy-making. Set up in 1995, the TABD is a coalition of business leaders who, together with top government officials, develop a comprehensive approach to transatlantic trade and investment policy. Large European and American firms have organized themselves at the European level to provide input into TABD process. Today, the TABD brings together 112 top American and European chief executives to coordinate business responses to international trade, standards and regulation. The TABD represents a significant subject for understanding of how firms embedded themselves in the formal policy networks at the EU level and why business inputs into the policy process have become the accepted norm. The analysis of the case will show that the Commission prefers to agree on trade policy directions through an alliance with business, which makes substantial contribution to the identification of common aims and preparation of trade policy initiatives.

The analysis of the later content of this chapter illustrate that the TABD achieved a tremendous success in eliminating barriers to bilateral trade during the last decade, especially

it played an essential role in helping the US-EU negotiators to overcome regulatory barriers and conclude the Mutual Recognition Agreement (MRA). Focusing on removing of costly regulations affecting transatlantic trade, the TABD helped identify the areas of consensus for EU and US government and facilitated negotiations, ended in MRA approval in 1998.

According to this agreement the EU and US recognize each other's inspection, testing, and certification requirements for a wide range of trade products. The agreement eliminates duplicative testing and certification, lower cost and decrease the amount of time needed to bring new products to international market. As estimated by Devereaux et al (2006: 4), the agreement helps to save industries more than \$1 billion annually in testing and certification cost. It applies to the six sectors of transatlantic trade: medical devices, pharmaceuticals, recreation craft, telecommunications, electromagnetic compatibility services, and electrical equipment.

## ***1.2 Challenges in transatlantic trade***

European business played a key role in the MRA negotiations. Its participation was necessary, since the business was most impacted by inefficiencies of certification and duplications in testing. Conducting the analysis of the challenges that existed in transatlantic trade Devereaux et al (2006: 302) revealed that companies trying to access foreign markets complained that they need to retest their products to sell them in another country. They were required to comply with different national standards for testing and certification which imposed additional costs and created barriers to market entrée. An example provided by Devereaux et al (2006: 307) shows that companies exporting consumer electronics reported that compliance with different standards and inspection processes cost them \$70 million each year. In addition to administrative burden for double certification and testing, the duration of compliance process also created a cost for exporters. One of the responders interviewed by Devereaux et

al (2006: 315) mentioned that due to technological progress, the product's life time became shorter and shorter, and every delay of getting the product into market reduced profit. In order to get a product approved for sale by regulatory authorities, the exporting company were expected to send the product to the country for testing with specified standards. It is logically to assume that the every new round of testing in every new market delayed market entrée and shortened the lifetime of the product.

As in the electronics sector, the speed to approval for new product in pharmaceutical sector was also important. Conducting interview with drug manufactures, Devereaux et al (2006: 318) discovered that 50-60 % percent of revenue from pharmaceuticals comes from products introduced in first 12 months. In US, the so-called 'good manufacturing practices', established by Food, Drug and Cosmetic Act of 1938, set the requirements for inspecting drug manufacturing facilities that export pharmaceutical products to the US market. To export pharmaceuticals, a drug manufacturing company was expected to invite experts from US Food and Drug Administration (FDA) to inspect its plant. The drug's import was allowed only in case when the standards met certain criteria for drug manufacturing. Devereaux et al (2006: 319) during the interview with drug manufactures found out that this act was a real concern to the industry, as manufactures had to comply with the third-country standards for manufacturing process and conduct duplicative testing. The testing and multiple inspections were costly, time consuming and limited the ability to get the product to market. It is clear that manufactures wanted to simplify these procedures and eliminate the duplicative tasting. Obviously, the exporters of pharmaceuticals and electronics wanted harmonized international standards and single approval process for testing and certification accepted in the EU and US.

Further analysis of the MRA negotiation process shows that the European and US pharmaceutical and electronics industries believed that they could eliminate duplicative

regulatory requirements through negotiating MRA. It also shows the interest from the part of the US administration and the European Commission in a more harmonized transatlantic marketplace and official MRA negotiations. It seems that officials believed that harmonized international standards would increase the efficiency of international markets and enhance transatlantic business cooperation. Though negotiating MRA, they were seeking to accelerate harmonization between Europe and US and achieve mutual recognition of inspection, testing, and certification requirements for a range of trade products.

### ***1.3 Reaching consensus***

The US-EU negotiated the harmonization of international standards for almost five years. So long running and unsuccessful negotiation process could be explained by the difference in national regulations and standards creating significant challenges in negotiating MRA. The difference in regulations were also highlighted as the main obstacle to the MRA negotiations by Devereaux et al (2006: 327), who revealed that the European negotiators regarded US administration as unwilling to reconsider the US Food, Drug and Cosmetic Act of 1938. This act was viewed as a major obstacle for achieving mutual recognition in inspection and testing in the pharmaceutical sector. By that time, Europe had already harmonized the regulations for testing and certification through the adaptation of the Single Market Program in 1992, which, according to Devereaux et al (2006: 327) were considered to be more efficient than the FDA. It seems reasonable to believe that the European Commission officials were committed to package approach and refused to include other sectors in negotiations unless there was consensus on pharmaceutical and electronics issues. They simply refused to move the official negotiations forward and conclude MRA until US Administration change the requirements for inspection and testing.

The second major issue in the pharmaceutical negotiations, identified by Devereaux et al (2006: 330), was the public disclosure of plant inspection reports. The US regulation considered the public disclosure of reports, while the officials in Europe believed that the reports disclosure might not be appropriate. Because of the sensitivity of information, they were not sure whether business would endorse the disclosure. Therefore, business in the both sides of Atlantic saw its role in exploring common interests and educating negotiators on their positions. Devereaux et al (2006: 330) further indicate that TABD pharmaceutical representatives, like CEOs from US Warner-Lambert and Smith-Kline Beecham on the European side, worked closely with the Commission officials, FDA and several US regulatory agencies to explain the interests of pharmaceutical industry and resolve disagreements.

#### ***1.4 The conclusion of MRA***

The MRA negotiation process provides the evidence to suggest that through the TABD, the European business played an important role in resolving the disagreements and reaching consensus between negotiating parties. Cowles (1999: 4) especially highlights a joint US-EU steering committee, comprised of government and industry officials, that met for the first time in Brussels on July 1995. The committee decided to create a working group on standards, testing/certification and regulatory issues, and develop recommendations for a conference in Seville, Spain. The MRA had been identified as a top priority at the Seville conference where, according to Cowles (1999: 13) “the business community called on governments to accept the principle of ‘approved once, accepted everywhere in Transatlantic Marketplace’”. All preparations for the Seville conference were undertaken by European industry representatives and had a great success. According to Cowles (1999: 9), business participants agreed to over 70 specific recommendations on testing and certification. These recommendations were introduced to the attention of US and EU officials in a 72-page Progress Report issued by the



TABD on May 1996. It is fair to say that Seville conference laid the ground for breakthrough on the MRA in Chicago TABD conference, held on November 1996. The discussions between government and business officials during this conference led to an agreement on MRA between the US Administration and the European Commission. According to this agreement, Europe agreed on the disclosure of inspection reports. In return, as per Devereaux et al (2006: 335) FDA agreed to carry out inspections of drug manufacturing plants only in special circumstances. The FDA and EU experts agreed to inspect domestic plants and make sure they were in compliance with the standards of importing country.

Devereaux et al (2006: 340) further disclose that the MRA was finally signed on May 1998 by European Commission Vice President, US Trade Representative, Commerce Secretary and Commissioner for Industry. In addition to pharmaceuticals and electronics, the MRA package covered other four sectors. In general, the EU and US officials agreed that if products satisfy testing and certification requirements in the EU, they satisfy the same requirements in US, and vice-verse. The MRA conclusion can be considered as a major achievement in the US-EU trade agenda and the biggest TABD accomplishment. The progress in the MRA negotiations suggests that the TABD made a significant contribution to the achievement of consensus and reaching agreement on testing and certification procedures between officials on the both sides of Atlantic.

Furthermore, the MRA established an important precedent for future US-EU regulatory agreements on standards. According to Devereaux et al (2006: 348), in June 2003 the US and EU officials agreed to regulatory cooperation in five more areas: cosmetics, automotive safety, nutritional labelling, food additives and metrology. And the evidence shows that the TABD continues to champion many MRA negotiations that are still under way and monitors

the implementation of previously reached agreements, helping US and EU officials achieve greater harmonization of transatlantic marketplace.

Based on the case study, the following chapters will outline the analytical and theoretical frameworks for the assessment of influence and the role of business in European policy-making

## Chapter 2: Conditions for influence

This chapter provides the definition of influence and stresses especially important conditions under which influence is exerted. It explores the structural framework affecting the relative influence of interest groups and explains EU interest representation through an institutionalist approach.

### ***2.1 Interpretation of influence***

The influence of business interest groups is an important question especially with regard to the role of business in policy-making. The question to be posed and answered in this chapter is whether interest groups actually exert substantial influence and under which conditions they do so. The analytical interpretation of influence has to be found in order to determine the actual impact of business influence on the European policy-making. Michalowitz (2005: 7) in this regard expresses the view that interest groups are influential when they manage to alter the core political interest of decision-makers and their lobbying efforts are reflected in policy outcomes. Dur and De Bievre (2007: 3) also use term ‘influence’ to denote control over policy outcomes. This approach regards actors as being influential if they manage to influence policy outcomes in a way that satisfies their interest. Moreover, to answer the question whether or not the influence has taken place, Michalowitz (2004 a: 3) reasonably suggests that it is necessary to look at policy outcomes in comparison with the interest of decision-makers. To be more specific, the initial policy interest of decision-makers should be compared with the actual policy outcome and the intention of interest groups. Since the influence should find entry into policy process, the theoretical and empirical analysis is set out in this chapter to investigate the factors conditioning interest group influence and leading to policy outcomes.

## **2.2 Factors conditioning influence**

Interest group influence may differ depending on the institutions of government they interact with and political interests of decision makers. Michalowitz (2007: 133) follows the assumption that “influence may differ according to the degree of conflict that the interest groups meet when seeking influence, structural conditions and type of interest exerted by private actors”. The degree of conflict depends on the type of interest pursued by groups and whether the interest corresponds with the political intentions of decision-makers. The evidence for this is found in the response to the question of influence provided during the interview by Emmanuel Haton, Deputy Director of BP European Government Affairs in Brussels:

Unlikely you will influence in Europe without having the political groups or civil servants having an interest in certain issues, you can not just come because you have something interesting for you, it has to be something interesting to them

Such evidence shows that potential conflict may arise when interest groups want to change the policies that contradict the political interests of the decision-makers. However, interest groups may exert influence when they want to change the details of a policy that do not contradict political interest of the decision makers. This may be considered as technical influence. Moreover, Michalowitz (2007: 137) correctly stresses that the influence may also emerge in the case where no conflict over a policy exists, because the interest of interest groups corresponds with the political intentions of decision-makers. In this case decision-makers pursue a strong interest of their own that is favourable to the interest of the interest groups.

## ***2.3 The importance of political will***

The above analysis shows that the influence may easily be gained when confronted with weak degree of conflict. In that case there is consensus and a grater willingness from the part of decision-makers to accept interest group arguments. The shaping position is likely to be easy for interest groups in the case when they can manage to generate the initial interest in time of agenda-setting. Influence can therefore only be achieved if interest groups have agenda-setting power and are able to shape the initial political will of the decision-makers. The similar argument is also put forward by Michalowitz (2004: 269) who claims that the presence of a political will determines policy outcome and interest groups may be successful if they have agenda-setting capacity and manage to influence an emerging political will. This is a true statement, as in this case interest groups meet a weak degree of conflict and can manage to influence positions and agenda before conflict arises. They may therefore avoid conflict and gain influence.

The above analysis shows that interest groups can only be influential if the political will of the decision-makers is either in support of their demands or indifferent to them. They are less likely successful in issue in which their interest is in conflict with decision-makers. This fact was confirmed by Richard Hall, EU Affairs Manager in International Association of Oil and Gas Producers representing the interests of the upstream industry in the EU, who mentioned during the interview:

We would not to be able to influence if there is the conflict of interest with those who make decision. If we are aligned, then we are pushing against the open door and decision makers are looking for our help. If for decision maker it does not matter which way they go, that is where we can really use advocacy to its best advantage.

Taking all these factors into account, it can be argued that the possibilities of gaining influence predominantly depend on the political will of decision-makers who determine the policy outcomes, create constraints and opportunities for interest groups to exert influence on policy-making. Similarly, it can be argued that constraints and opportunities for interest group influence are provided by the institutional settings in which lobbyists operate. Our analysis corresponds to rational-choice institutionalism view resting on the assumption that interest groups adapt to demands of the institutional settings, and institutional settings determine whether lobbying can be influential. The rational choice-institutionalism view best explains the power of interest groups in influencing the process of policy-making.

## ***2.4 Explaining relative influence***

The previous analysis suggests that political institutions play an important role in the degree of influence exerted by interest groups. However, Mahoney (2007: 47) provides fair argument that other factors, such as issue context and the design of political system also play a large role in explaining the relative influence of interest groups over policy outcomes. She argues that the level of conflict on an issue with decision-makers depends on the nature and scope of the issue (p 39), therefore it could be argued that the issue context emerges as an important determinant of interest group's influence. Hence, interest groups are less likely to succeed if they are active on large scope issues, as Mahoney (2007: 39) correctly noted, bigger issues involve a larger number of interests and impact large portions of the general public. The likelihood of influence is therefore expected to decline, since policymakers need to consider the range of interests. Obviously, policymakers dealing with a large scope issue would not consider a single interest. More clearly, the larger an issue is in scope- the larger the level of conflict, the less likely the probability of exerting influence.

The design of political system and structural conditions are yet another factors, as per Mahoney (2007: 55), having a significant impact on the probability of exerting influence. This claim implies that the structural conditions in terms of transparency or lack of the transparency of the decision-making have implications for the responsiveness of politicians. Transparent decision-making structures are favourable for influence, whereas non-transparent decision-making structure restricts the input of interest groups. Moreover, the establishment of good image in the eyes of EU decision makers has also implication for effectiveness in influencing policy. This argument is supported by Coen (2007: 339) who argues that “an interest group influence policy by the extent to which it can establish its reputation as a provider of reliable, issue-specific and pan-European information”. His argument suggests that the most effective means to establish a positive reputation in the European political process is to develop a broad technical profile across a number of issues and exhibit an ability to produce feasible solutions to policy problems. In support to Coen’s argument, Olivera Drazic, Advisor of European Government Affairs in BP office in Brussels, also regards credibility as an important factor conditioning interest groups influence:

Success very much depends on credibility of company. You can only influence if you are credible and people have confidence in you.

Furthermore, it could be argued that the interest group influence may depend on the strategies chosen by interest groups, as groups do not always select most effective strategy to influence policy process. It is important to bring the issue to attention when favourable contextual factors arise. However, Michalowitz (2005: 7) claims that the presence of contextual factors makes it difficult to measure influence and attribute it to a specific actor. Interest groups may believe that shift in the initial positions of decision-makers is the result of their activities, alternatively Michalowitz (2007: 133-134) argues that even if outcomes reflect the shift in positions, interest groups and their activities are not necessarily the driving forces for this

shift. Indeed, the supportive factors and activities of other actors may be more significant than the activities of interest groups. Therefore, our analysis shows that in order to measure the impact of interest groups action it would be necessary to undertake the analysis of number of factors that may play a role in the shift of decision-makers initial positions.

## ***2.5 Business influence in the case of TABD***

Three factors were stressed in 2.2 above as especially important with regard to the influence groups manage to gain: the congruence of the interests pursued with the interests of decision-makers, the type of interest pursued, and structural conditions. In the case of the TABD, business leaders and European officials sit together to work out regulatory problems and negotiate strategies. MRA negotiation process illustrates the extent to which the Commission solicits participation from industry representatives and is willing to listen to their suggestions. The fact that EU officials consult with industry representatives and take actions on their recommendations speaks strongly for business influence and can be interpreted as evidence for an important role of business in shaping EU trade policies. In this case EU policy-makers listen seriously to what business has to say and include business concerns in development of multilateral trade policies as the result of convergent policy preferences. The next chapter explains the evolution of these relations and focuses on the forms of interest group involvement in decision-making process.



## Chapter 3: Relationship between business and the EU institutions

This chapter aims at answering the question whether traditional concepts of pluralism or neo-corporatism should be employed to interpret the structures of interest representation at the European level. It looks at the main features of neo-corporatism and pluralism for the understanding of state-interest group structures in the context of the case study.

### ***3.1 Pluralist and neo-corporatist interpretations***

In interpreting the interaction between the institutions of the EU and interest groups, many arguments can be found that the access to policy-making is limited to a number of privileged groups who receive preferential treatment and are involved in institutionalized formal dialogue with the European institutions (Binderkrantz 2005; Broscheid 2006; Coen and Grant 2006). The selective restriction of access provides some groups with insider status which enables them to be continually involved in policy-making process. These new institutional arrangements between business and state and the new forms of interest group involvement in policy-making process can be explained by pluralist and neo-corporatist interpretations. The neo-corporatist interpretation points to the direct involvement of groups in decision-making processes, while the pluralist interpretation features participation as indirect. Although interest groups participate in a debate, they do not involve in the final decision-making. In this context, very interesting is the neo-corporatist model suggested by Michalowitz (2004: 29) that represents a system in which a small number of interest groups have non-competitive relations and a monopoly over governmental relations. This can be understood to be the opposite of the pluralist approach in which, as per Michalowitz (2002: 35), the access to the institutions is open and interest groups compete with each other for influence over policy

outcomes. However, the main argument put forward by Michalowitz (2002: 36-38) is that consider the uniqueness of the European political system, both concepts are co-exist and remain in use for interpreting specific forms of state-interest group interaction. The analysis of her arguments suggests that each institution has different demand for information and its own approach to interaction with interest groups. It means that interest groups, in order to exert influence, need to adapt to the institutional structures of each particular institution, which might be pluralist or neo-corporatist. The main factors that account for the pluralist or neo-corporatist patterns of interaction, identified by Michalowitz (2002: 36), are “the type of decision-making process, the role played by each individual European institution in any specific phases of the decision-making process and the institutions' needs of information”. Clearly, the analysis of these factors can help to explain different patterns of interaction and the emergence of pluralism or neo-corporatism.

### ***3.2 Comparative perspective.***

The previous analysis suggests that the amount and kind of information required by an EU institution at a specific stage of policy process determine whether pluralist or corporatist patterns prevail. The fact that the Commission is usually in close contact with interest groups prior to formulating a proposal, denotes neo-corporatist types of interaction between them.

The neo-corporatist interpretations could be especially applied to consultations and hearings at the lowest Commission level, before a proposal is drafted. Increasingly, external input is also becomes important for the European Parliament (EP), as it issues amendments to the Commission proposals. Amendments to Commission proposals are first formulated by the Parliamentary Committee rapporteur, who, according to Michalowitz (2002: 46) “decides whether to reject external input, or to approach a selected number of interest groups in a neo-corporatist way, or to open the discussion to all interested parties in a rather pluralist fashion”.

Indeed, rapporteur can decide whom to consult and the decision largely depends on the issue at hand and his political interest. As soon as the report with the amendments is drafted and given to the rest of the Committee to vote on, lobbying individual Members of the Parliament becomes more important. The majority of the Parliamentarians may not be in full possession of all of the details of the case which is to be voted on and are likely to be willing to receive more information offered by interest groups. In this rather pluralist phase, as it is correctly stressed by Michalowitz (2002: 46), non-privileged groups have an equal chance of gaining entry to the legislation process, provided that they can offer relevant information. After the Commission and Parliament, the draft proposal is negotiated in the Council of the European Union. The Council is the institution having the final decision-making power and can influence the final shape of the legislative proposal. It represents the power of the individual member states and consists of member state ministers and their delegates. Therefore, it is logical that discussing a policy proposal the Council working groups direct their attention to member state governments and national-level officials. At this stage, as per Michalowitz (2002: 46), the Council is very selective in negotiating with interest groups, whereas pluralist input is hardly possible any more. The analysis shows that it is possible for pluralist patterns to prevail at one level and neo-corporatist ones at another depending on the decision-making stage.

### ***3.3 Emergence of elite pluralism***

Clearly, in EU decision-making process the pluralism and corporatism can co-exist. Different stages of decision-making demand different types of relationship between the EU institutions and interest groups. Above analysis shows that the corporatist forms of participation are to be found at the first Committee/Rapporteur level, while the Commission is generally more neo-corporatist and the EP more pluralist. However, Coen (2007: 335) suggests the emergence of elite pluralism pattern of interaction between institutions and policy actors and that the style

of Brussels policy-making has produced an ‘elite trust-based relationship’ between them. This insider status and resource advantage, according to Coen (2007: 335), creates an elite pluralist system where the membership is restricted to a few policy actors. Hence, the relationship and the degree of representation offered by the European Commission to interest groups in the case of TABD provides enough evidence to suggest that the form of elite pluralism has emerged in which business is a privileged in terms of the access it enjoys to EU policy-making. It is legitimate to say that the business involvement in the TABD process illustrates the pluralisation of policy-making process and can be conceptualized as elite pluralist.

### ***3.4 Gaining privileged access***

The case of TABD highlights the emergence of a new elite pluralistic forum, providing opportunities to interest groups to shape trade policy. The access to the forum is open and groups engaged in trade policy areas are more likely to achieve insider status. The forum creates lobbying insiders and provides access into the arena where trade policy is made. Gaining privileged access or achieving an insider status means that actors are able to communicate with policy-makers directly and effectively influence policies. Actors with privileged access are routinely consulted, invited to workshops and consultations that form part of the policy-making process and allow effectively influence policy outcomes. Moreover, the access allows gain the best information and knowledge about policy developments, which in turn can translate into influence over policy formulation and negotiations.

However, it should be emphasized that access to the forum does not automatically mean influence. An argument provided by Bouwen and McCown (2007: 425) implies that the “political actors might gain access to the policy-making process without being able to translate this advantage into concrete policy outcomes”. This argument supports the previous

analysis in 2.3 and 2.4 suggesting that, in order to achieve the desired influence over policy outcomes, the access has to be complemented by other elements, such as the initial will of decision-makers and political development during the policy-making process. It is true that even if business leaders participate in the negotiation process and produce feasible solutions to policy problems, public officials do not necessarily accept the recommendations of business and guarantee the negotiation of policies with US Administration. As Michalowitz (2005: 3) precisely indicated they “maintain their decision-making autonomy and can decide which policy recommendations to take into account”. The response received from Olivera Drazic during the interview further strengthens this argument:

Policymakers will hear your views and take your advice, but it does not mean they will listen you at the end, as they shape their own opinion.

This evidence supports the above analysis and suggests that despite regular contacts and many discussions, having access does not imply that influence can have an effect on EU policy developments and always bring about the desired results. In short, access to pluralistic forum is not equal to influence even through it helps in having a say in EU policies.

It can be expected that business has privileged access because it possesses specific resources demanded by public officials. The following chapter seeks to identify these resources and examine how business satisfies the institutional demands and acquires the privileged access or insider status.

## Chapter 4: Exchange of resources

This chapter outlines the theoretical framework for the understanding of exchange relationship and various types of resources used in interaction with policymakers. A look at the demand for and supply of particular resources is used as a starting point of analysis. Three institutions are investigated from a comparative perspective in order to explain why EU institutions have different degree of demand for specific resources. The chapter particularly explores the position of policy-makers in exchange relations with business. In conclusion, it provides the analytical interpretation of business-government relations in the development and conduct of international trade policy.

### ***4.1 Resource dependency***

Institutions can shape the resource needs of policy-makers, but even a well-resourced state may lack expertise in particular policy areas. While institutions make policy-makers rely on external resources, interest groups with resources can enter into interaction with them and influence policy process. As per Eising (2007: 386), “resource dependencies matter because neither state institutions nor interest groups can autonomously pursue and achieve their political goals”. In the European context, as compared in 3.2 above, the institutions have a strong demand for outside resources, due to their own limited in-house resources. Business, in turn, needs to cope with the large amount of policy regimes and depends on resources from the state for their organizational survival. These make interest groups and public officials, as correctly defined by Woll (2007: 62), interdependent because they need resources from each other and various types of resources create different types of interactions, which are stable to different degrees. In support to Woll’s argument, the evidence of the dependence of public officials on external recourses is also found in the interview with Emmanuel Haton:

So far the civil servants were doing all job, that is very much based on French model, where civil servant develop technical capability to prepare legislation. But now the world is becoming more complex and they have to consider very technical matters, they can not just ignore the external world.

Such evidence provokes the idea that the interest groups can maintain stable interaction with public officials and exert influence on them if they can offer resources demanded by them and provide more resources than other interests. It then proves the validity of the definition suggested by Woll (2007: 63) who sees interest representation as a part of an exchange relationship in which interest groups provide a policymaker with resources in exchange for influence over outcomes. Exchange approach enables the development of a framework for studying resource dependence and interdependence between private and public actors.

## ***4.2 Exchange relationship***

The basic assumption of the exchange approach developed by Michalowitz (2004: 48) is that decision-makers demand resources, and that private actors demand influence. The EU institutions demand resources that are crucial for their own functioning. Staff resources are very limited and expertise in a specific policy area is very costly to develop. Interest groups often possess a high level expertise and can compliment the in-house resources of public officials. The exchange relationship corresponds to the needs of the institutions and interest groups make an extensive effort to fulfil institutional demands in order to achieve influence in return. The influence mainly depends on characteristic of resources that they can offer and attractiveness of their resources to European institutions. Woll (2007: 63) also shares Michalowitz's view on the importance of resources in exchange relationship and identifies resources that are typically used by lobbyists as "financial, social capital, legal and technical expertise or other information that might be useful to policy-makers". She argues that studying resources and interdependence strategies requires an understanding of what business

supply and government demand and the instruments with which they exert pressure (p.63).

The provision of goods is crucial for private actors in establishing an exchange relation with the targeted EU institutions. Obviously, the better the exchange between demand and supply is met, the more successful exchange relationship.

Similar model, closely related to Michalowitz's exchange approach and Woll's resource dependence perspective, is provided by Bouwen (2004: 340). His exchange theory goes further in conceptualization of exchange relationship and suggests that the resource required by private actors is 'access' to the European institutions. In return for access to the EU decision-making, according to this theory, the EU institutions demand certain goods crucial for their own functioning. He calls these goods 'access goods' and the highest degree of access is granted to the private actors who can provide the access good demanded by the institutions (p.341). EU institutions are interested in the access goods to varying degrees, based on the role in the legislative process. This theory suggests that interaction between private and public actors can be conceptualized as a series of exchange and characterised by supply and demand. This theoretical framework on exchange is closely related to the resource dependence perspective and interdependence between the interacting parties.

Resource dependency and exchange concept provides an excellent tool for the analytical assessment of the role of interest groups in policy-making. It is fair to say that the EU interest representation takes place in an exchange where interest groups supply the access goods needed by the EU institutions in order to gain access to the EU decision-making process. They only gain access to an institution if they have the capacity to provide access goods and if institutions demand the access good provided. Different institutions have different degrees of demand for the access goods and interest groups are expected to possess different abilities to



provide different type of goods. Hence, not all private actors have the same capacity to provide access goods. According to Grossman (2004: 645) “the capacity to adjust to EU-level policy-making procedures would depend on the overall flexibility of actors, their financial, organizational, and intellectual resources”. That means that the resources employed by private actors in order to advice policies consist of considerable financial investment, legal and technical expertise. As per Eising (2004: 218) the larger amount of financial resources allows private actors to supplement in-house expertise by cooperation with scientific organizations and professional consultants. Indeed, private actors employ large number of experts and consultants that supplement the work of public officials. It is accompanied by costly and detailed scientific studies related to the specific technical or policy issue. Therefore, interest groups working toward providing access goods can thus be expected to face large costs. Multinational firms generally have larger supply possibilities, resulting from the overall larger financial output, economic and scientific knowledge.

### ***4.3 Types of resources***

Interest groups may have different types of resources to engage strongly in exchange. Mazey and Richardson (2006: 249) in particular recognize the utility of interest groups “as sources of (a) information (b) support and (c) legitimacy in key policy making roles”. This is a fair argument as further analysis will show that the Commission relies heavily on external informational resources; it especially needs expertise, technical knowledge and policy relevant information. Broscheid and Coen (2003: 167) in particular determine the reliance of the Commission to large extent on interest group supply with information and specialized technical expertise that help in drafting legislation. The Commission is mainly interested in expert knowledge, since it lacks the resources necessary for highly technical regulation in many policy areas. The interest groups have the relevant knowledge and expertise that policy-

makers need in order to make effective policy decisions. Emmanuel Haton, discussing the expertise supply possibilities of business, mentioned the following:

We have people who have some good understanding of the energy scene, the world-wide energy picture. When we talk to decision makers –we can talk as energy experts. So, we are helping the politicians and decision makers all time to understand our industry and give them full figures, truth and facts.

From this evidence it could be argued that firms are particularly good at providing expert knowledge and specific kind of information that is important in the EU decision-making process. The Commission needs expert knowledge and information in particular technical area as it drafts detailed and often technical proposals. The direct interaction between interest groups and public officials allows the transfer of expert knowledge and technical information needed for policy-making.

The analysis above shows that the policy-makers have incomplete information on the policy problems they want to tackle and require the substantial amount of expert knowledge and technical information to ensure that proposals are technically robust and workable. Because they are directly active in the certain areas, interest groups can deliver specific information about the way legislation can affect the specific sector. They can bring issues to the policy-maker's attention when a proposal is drafted and provide detailed technical information on the results at the later stage of policy process once policies are implemented. Such technical information is being exchanged by interest groups for the ability to gain influence over agenda-setting and overall policy process. However, political information is also exchanged.

The institutions demand for two types of information - technical as well as political information. The different sub-categories of information are determined by Michalowitz (2004: 53) as "information providing technical facts and details, and information with

legitimising function that indicates the degree of agreement among the affected parties”.

Interest groups can deliver the information about the degree of acceptance of legislative action in each member state and provide information about their potential interest. Public officials, for instance, may be interested in information about the specific policy sector and about the public support with regard to future initiatives. This information, as per Michalowitz (2004: 76-79) helps them to determine the amount of conflict or consensus that can be expected from a certain regulation, and find the way to avoid conflict and create consensus. Clearly, the interest of policy-makers at the EU level is to obtain a sufficient degree of consensus among member states because decisions will have to be acceptable in all states and for all involved parties. The policy-makers have an interest in engaging in dialog with those interests that are able to persuade and engage member states in consensus agreement. In order to achieve this, the interest groups can serve the Commission as avenue for exerting influence and persuading national governments to accept legislative act. This idea is shared by Eising (2007: 339) who regards interest groups as intermediaries between EU institutions and their national governments and defines them as “experts in processing information about EU policies to their governments, in building a common platform with them, and in co-ordinating the representation of interest across member states”. This argument highlights the value of political information, the importance of political support that interest groups provide and their essential role in the implementation of EU policies. In all cases, the Commission has to rely on private actors to provide it with much of the information and political support it needs; therefore, the informational and resource advantage of interest groups is a source of political influence.

As highlighted above, the public officials seek the input of interest groups as a source of legitimisation. Interest groups have the strength to provide legitimising information on the

preferences and consensus in the member states with regard to specific decision. In search for input legitimacy, the Commission is also interested in expert knowledge. This knowledge provides the Commission with the necessary expertise to deal with policy problems in an efficient way and thereby, as interpreted by Michalowitz (2004 c: 156), “increases output legitimacy in the sense of public acceptance of system’s output”. Her interpretation simply means that the including special interest into decision making, the Commission can ensure the acceptance of the official decision amongst its membership. It therefore can be argued that the institution can increase both, input and output legitimacy by obtaining the information on preferences and special expertise on policy issues from interest groups. The provision of the information and expertise is often the currency of influence and opportunity for interest groups to exert pressure. However, interest groups may give the information without receiving influence for it.

#### ***4.4 Inadequacy of exchange***

Even if interest groups are welcomed as deliverers of information, they are not necessarily guaranteed rewards for input. Very interesting and relevant in this regard is the hypothesis expressed by Michalowitz (2005: 5), that interest groups might enjoy good access to policymakers-makers and policy-makers might accept the information offered by interest groups, while the final decision might not include their interests. Indeed, the policy-makers might not return influence in exchange, as they accept information from different sources and make the final decision based to the variety of inputs. These sources of information that policy-makers have an access to, as correctly identified by Eising (2007: 386), include member state administrations, think-tanks and scientific experts who give an important policy advice. Consulting as many stakeholders as possible, policy-makers attempt to diversify the supply of information and avoid dependence on a single interest. Therefore, it could be argued

that allowing different groups equal input, policy-makers increase their ability verify the relevance of information and ensure that specific interest cannot monopolise the policymaking process. They take information biases into account and can choose whom to consider. Hence, no guarantee for an actual exchange taking place can be expected. This is confirmed by Michalowitz (2004: 54) who discussing the adequacy of supply and demand exchange argues that “the exchange can be expected to lead to an outcome in which the institutions grant influence in exchange for information, may grant partial influence or may lead to third possible outcome in which influence is not granted at all”. Hence, to determine the potential amount of influence granted to interest groups, it is necessary to determine how attractive the information that interest groups can provide and whether it meets the demand of the individual institutions.

In addition to the attractiveness of information, the scope of influence granting seems to depend very much on the decision-making procedures and on the stage of the process. Each individual institution may grant influence for received information but are not able to guarantee influence over policy outcome, as per Michalowitz (2004: 70) the policy-making process involves multiple actors and interdependent institutions. Public officials at different institutions seek the inputs of private actors to various degrees. The Commission’ desk officer level is responsible for the technical drafting of the proposal and due to the need for technical expertise is always open to input from interest groups. At this level interest groups are most likely to be influential. However, Michalowitz (2004: 62) admits that they cannot necessary be influential at the later stage when draft enters the second level, which consists of the Commissioners who have to come to a consensus about each draft proposal passed to the EP. She argues that the interest groups are no longer invited throughout the process within the highest Commission level (p.62). Moreover, further analysis shows that the Commission

plays the most important role in initiating a proposal, but it has little influence on the further development of the legislative act once it passes to the EP. As highlighted in 3.2 above, the major changes to the Commission proposals are introduced in Parliamentary Committees by the rapporteur. He needs external input in order to estimate the adequacy of a proposal and issue amendments. It obviously makes them a preferred target for interest groups. Once draft amendment is agreed upon within the Committee it then goes for a vote in the plenary.

Therefore, the core targets for interest groups in the EP are found on three levels: the rapporteur, key figures within the committee and key figures within the Parliament. The Council of the European Union shares its legislative power with the EP. It comment on or amend a proposal and, as mentioned in 3.2, its possible reaction is largely connected to the possible effects of legislative act on the individual member states. Interest groups therefore should direct their attention to national governments and national contacts in Brussels to influence the Council.

One conclusion to be drawn from the structural characteristics and regulatory procedures of the EU policy process is that the negotiations on proposal take place in different arenas and no institution or institutional unit can grant influence that can be expected to have a guaranteed impact on the overall policy outcome. It seems to be problem as per Michalowitz (2004: 70) for a traditional exchange model, because the willingness to exchange by one part of an institution does not guarantee influence of private actors on overall process. She even provides more strong argument arguing that “public actors seek to shut out interest at stages that are especially important in the course of the decision-making process” (Michalowitz 2004 b: 83) and finds it certainly positive because it assumes that governmental actors still have control over their decisions rather than being captured by special interests. It makes clear that the effect of influence is not certain and the structural characteristics of the EU policy process

are a source of uncertainty for interest groups. Even though there is no guarantee of success, interest groups make an attempt to influence, since there is also no guaranteed failure. Hence, not true exchange is found on the European level.

#### ***4.5 Exchange of resources in the case of TABD***

Analysing the interaction between business and the European Commission in the case of TABD it can be argued that the Commission is interested in developing closer ties with CEOs from European companies as the resources available to the public officials are limited in relation to the tasks that have to be undertaken. Industry representatives were included in MRA negotiations as under-resourced public officials lacked specific technical expertise on trade matters and generally had limited information about business trade policy preferences. The Commission was depended on large firms for expert information and specialized technical expertise and willing to facilitate business involvement in trade policy-making through the creation of private business forums. Obviously, the Commission seeks more legitimacy through the integration of business into the formulation of trade policies and aims at increasing its own technical expertise and ability to maintain consensus on trade issues among the member states. Business is regarded as useful tool for identifying common European interests and reaching mutually acceptable trade policy decision.

Trade policy now is a set of commercial and regulatory policies and policymakers need to have an understanding of the practical implications of any agreement, which requires a substantial amount of expert knowledge in the areas of market integration, standard setting, and multilateral policy. New demands, identified by McGuire (2004: 280-281), such as a better protection for intellectual property and access to foreign markets for services, have created new types of interaction and established business as accepted partner and important provider of policy relevant expertise. Firms, such as exporters of electronics, are in the best

position to identify barriers to entry in foreign markets and particularly important sources of information on policy problems and issues that affect them. Information supply allows firms to achieve the status that leads to influence over setting the agenda for transatlantic trade discussions. What makes business influential in the case of TABD is the possession of specific resources demanded by public officials in exchange for influence. Hence, interaction between business actors and public officials in the case of TABD can be determined as exchange of resources and expressed as interdependence of actors who pursue shared interest.

The next chapter shows the institutionalisation of interest representation in a form of business forums and explains why the creation of forums is seen as a win-win for business actors and public officials.



## Chapter 5: Institutionalisation of business interest

This chapter explores the institutionalisation of interest representation as new development that recently emerged at the European level. It illustrates how European Commission structures European system of interest representation through the establishment of forums. The importance of interest groups participation in forums for the development of European trade policies is examined in the case study.

### ***5.1 Structuring external input***

Relation among officials and interest groups is seen an essential element of the development of public policies in the EU. The analysis in 4.3 shows that the interaction and exchange with interest groups enable public officials gather a certain degree of legitimacy to fulfil their institutional role. EU institutions greatly depend on interest groups for the supply of information and political support in policy implementation. Interest groups try to satisfy institutional demands, but at the same time, they seek to obtain influence. It is logical to assume that interest groups expect to increase their policy utility gains based on consistency for information exchange and provision of expertise to policy-makers. Indeed, in order to compensate for missing expertise, EU institutions attempt to build long-running relationships and encourage greater participation of interest groups in policy process from the agenda-setting of the Commission to the ratification at the European Council. This fact confirms Dur and De Bievre (2007: 5) hypothesis that “as long as politicians depend on resources to achieve their policy aims, interest groups may exchange their resources for influence over outcomes”. However, different forms of interaction and different dynamic in the policy process create different opportunity structures and thus different environment for interest groups to exert influence. Our further analysis will show that the form of interest group involvement in

decision-making process largely depends on the degree of representation offered to interest groups.

The institutions, according to Mahoney (2004: 462), have a remarkable and often unrecognized ability to influence the dynamics of the interest representation and play a key role in shaping the access of interest group to the policy-making process. Michalowitz (2004: 23) shares this view, arguing that the public officials take an active part in structuring external input and have a monopoly over the influence that they can grant. Obviously, they can affect behaviors and political powers of interest groups when they shape the process of policy-making. Institutions may enhance or lower the access that interest groups enjoy to policymakers through the creation of institutionalized dialogue in the form of forums and alliances. Coen and Dannreuther (2003: 267) in this regard argue that “the creation of forums suggests the development of an inner policymakers and institutionalization of business in the EU policy process”. It could be claimed then, that the institutionalisation of business interest involvement defines new structure and new policymaking process in which business occupies a particular niche within the European polity.

Through the established forums, the European institutions institutionalise their bargaining position with business and benefit from it in a large sense. The institutionalised structure of European policy-making induces business to fulfil particular technical functions within the given institutional framework which affects the degree of pressure that business can bring on policy. Through the forums the Commission stimulates debate and activity on only certain types of policy area and select which interest will participate in the forums. Public officials can offer access or ignore interest in the forums restricting access to those interests who have capacity to provide sector-specific expertise and policy relevant information. The degree of

control that public officials have over how much influence to grant and at what stage of the process makes interest groups available for institutionalisation. Nevertheless, from the perspective of both, the exchange relationship in the form of institutionalisation is largely seen as win-win. During the proposal drafting phase, the officials refer to forums for expertise and broad interest inputs. It, as per Mazey and Richardson (2006: 247) maximizes the ability to interpret the external world so as to facilitate efficient policy formulation. At the same time, interest groups that are able to supply the necessary expertise should gain influence. Moreover, interest groups benefit from the creation of transparent and accountable forums as a mean to formalize their role and establish, as Coen (1998: 81) defines, political legitimacy in the European policy process. Indeed, the forums allow interest groups to contribute to EU decision making in a legitimising way and provide a prominent place in the formal policy process.

## ***5.2 The power of institutions***

The degree to which interest groups are part of a forum membership is likely to determine the ability to monitor and influence European policy-making. While policy forums have given business such a favored place in the European policy-making, it, as Coen and Grant (2000: 25) rightly point out, does not mean that public officials are not aware of the risk of policy capture. The creation of forums can be seen as a mean to achieve a compromise that is acceptable for all involved in the EU policy-making process. By the means of the forums, the Commission shapes policy development, exercises consensus building and formal power of decision making. Public officials are treated as monopolists over the decision whether or not to grant influence and have the ultimate say in who participates in the forums. This argument is strengthened by Michalowitz (2005: 24) who reasonably argues that the “EU-system can be seen as relatively immune to outside pressure, as institutional officials can select whom to listen to, which leaves the power to the government actors and excludes the possibility of

politicians capture by lobbyists”. Hence, it verifies the hypothesis that the institutions have an active influence on interest groups and their behavior. The public officials maintain their decision-making autonomy and can decide which interest to take into account. They make deliberate decisions who will participate in the forums and what issues are on the political agenda. Clearly, if certain issues are not even on the agenda, groups interested in them are thereby deprived of an opportunity to exert influence.

It can be, then argued that any type of policy capture is highly unlikely, as creating forums, public officials pursue their own political interests, while interest groups support their interests and influence technical details. Interesting in this regard the definition provided by Michalowitz (2005 a: 11) who finds lobbyists as “service bureaux rather than equal negotiation partner” who receive access because they know how to satisfy the institutional demands and use this advantage. Indeed, the analysis shows that the forums have occurred in response to public officials’ willingness to use interest groups in policy-making and provide them an access to the highest level. The interest from the part of public official to listen interest groups was also confirmed by Richard Hall during the interview:

We all have something to say and people in Brussels are keen to hear this particular view, as it is recognized that we have legitimate right to speak about everything that is likely to affect our industry. That is the good thing about Brussels.

This fact confirms that EU policy-making leads to compromise with all parties where the capacity of individual companies to provide technical information gives them the high degree of access to the forums. The forums imply that public officials and interest groups interact, as per Michalowitz (2004 b: 91), in a hierarchical relationship, where officials or the institutional rules influence the behaviour of interest groups. In this relationship, the officials are crucial actors who provide the venue for exchange and select whose interest to consider. At the same time, under-resourced public official are actively seeking interest group inputs. Hence, it is

more promising to look at the creation of forums as the interdependence of both sides and regard interest groups and public officials as autonomous but interdependent actors.

### ***5.3 Structured involvement of business in the case of TABD***

As discussed above, the TABD has created new structures and promoted new working relations between the EU Commission and European business. The TABD case shows institutionalisation and more structured involvement of business in trade policy negotiations. The case illustrates that the European Commission and European business shared the policy initiative and developed a working relationship that clearly helped both to advance their strategic interests. Interest groups have gained a prominent place in European trade policy making as negotiation partners and played a critical role in setting the agenda for MRA discussions. The Commission succeeded in creating a new institutional structure and bringing together trade related interests to improve transatlantic cooperation. The power of the interest groups representing trade is related to the economic importance of each industry and to a certain extent to the organizational capacities. With the TABD, the transatlantic business community plays a very public role in what Cowles (1999: 2) calls as ‘industrial diplomacy’ proving a positive ‘bottom-up’ approach to the traditional ‘top-down’ interaction of government actors in US-EU trade matters. The TABD shows that public officials have encouraged business cooperation via wider political alliances and have learned to accept the recommendations of business. Perhaps most importantly, TABD gave a birth to new policy-making process in the transatlantic partnership. It has clearly succeeded in advancing the US-EU MRA negotiations and improving transatlantic trade.

The Commission looks very seriously into TABD recommendations and the same time takes action in the best public interest. Coen and Grant (2005: 54) argue that in the TABD case

“government use business for public purposes, so as to incorporate market incentive, norms and practices into the provision of public good”. It could then be argued that transatlantic business community plays a public role in setting the agenda for trade and investment policy. In the increasingly technical areas of standard-setting and property rights debates, it is not surprising, as per Coen and Grant (2005: 49), that under- resourced officials turn to business for credible information and expertise. By helping develop effective policy decisions, business participation increases the legitimacy of the Commission on external trade issues and shapes domestic-level support for their implementation. The success of business in influencing trade policy-making is therefore the result of the convergence of trade policy objectives.

The improved capacity to provide sector specific information potentially leaves influence on trade policy to few larger well-resourced companies. Despite this fact, Woll (2005: 19) does not see the risk of policy capture as per her the transatlantic trade policy-making is “highly regulated sector and a domain firmly in the hand of government”. It is legitimate argument, as a policy outcome in the case of TABD is possible if officials accept the recommendations of business and support the actual implementation of proposed policy. The analysis has emphasized the distinctive institutional dynamics of the EU trade policy-making, which leaves the power of final decision to the public officials.

## Conclusion

Summarising the gathered information on the basis of the case study and the empirical evidence, it appears valid to say that business has a legitimate and important role to play in European policy-making. Overall, it appears that the European business makes an essential contribution to the evolution and content of EU trade policy and the European Commission is searching for an increased level of business input. Strong influence exertion in this case can be detected as limited to technical influence. The case demonstrates political autonomy of public actors in EU policy-making processes, as the Commission has clear policy preferences and is keeping a high degree of control over political instruments affecting policy outcomes. The analysis of the case study facilitates the gaining of more in-depth knowledge about the actual influence of business on EU decision-making. In the light of this analysis, business seems to make a significant contribution to EU policymaking, though it is less influential over policy outcome than anticipated. A more detailed comparison of interest groups goals and intentions of decision-makers shows that the impact of the business on the decision-making is weak as the influence is only technical and coincide with the political intentions of decision-makers. Policy decisions seem to correspond to the preferences of public officials and firms engaged in international trade. It shows that public officials are maintaining a working relationship with sufficient institutional independence rather than being influenced.

This paper cannot claim to have found the ultimate answer to the question of interest group influence on the European level, however from the case study analysis and empirical evidence from interviews it can be argued that there is no potential danger for public preferences and political autonomy of decision makers, as there are no over-influential interest groups shaping European policy-making.

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