

**THE POLICY MAKING PROCESSES OF THE  
EUROPEAN COMMUNITY**

by

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## ABSTRACT

The thesis looks at the policy making processes of the European Community by testing four theoretical explanations against three cases. The reluctance to reform the Common Agricultural Policy, import restrictions on Japanese cars, and car exhaust emissions standards are the three cases examined. Institutionalist, pluralist, Marxist and liberal economic theories are applied to these cases to determine which best accounts for EC policy outcomes. The analysis is preceded by a brief look at the institutional organization of the EC and the processes used to form policy.

The conclusion is drawn that institutionalist theory is best suited to explain the policy outcomes. The struggle between the three main institutions of the EC -- the Commission, the Council of Ministers, and the European Parliament -- and the competing visions of a future EC that they represent are crucial to an understanding of EC policy processes. Pluralist explanations provide some insights into EC policy making, but the prominence of agricultural and carmaker interests conveys an influence of interest groups that may not hold true for other policy outcomes. Marxist and liberal economic theory both suffer the same fate: they help explain the broad ambitions of the 1992 project, but fail to explain specific policies.

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## INTRODUCTION

The adoption of the Single European Act (SEA) in 1986 ushered in a new era of community building for the European Community (EC). The flurry of activity surrounding preparations for 1992, the official date for the creation of a barrier-free internal market, has aroused many questions regarding the policy making processes of the EC. This paper will examine these processes and the institutions in which they operate. The main purpose of this thesis is to answer some basic questions regarding the role of various factors in EC policy outcomes. This will be attempted by testing five theoretical explanations against three policy outcomes.

In the interest of avoiding issue specific explanations, three policy cases were chosen for examination, rather than one. EC policy-making can be viewed as a two stage, two procedure system. Almost all policies are formulated at the Commission, one of the three prominent institutions of the EC, and this comprises the first stage. Most policies continue on to the second stage where they may be decided upon by one of two procedures: the Consultation Procedure or the Co-operation Procedure. In order to encompass the two main decision-making procedures that a policy may follow, cases were selected from each of these procedures. The policy-making procedures of the EC are somewhat complicated and will be explained in greater detail below.

Import restrictions for Japanese cars were formulated in the Commission and did not follow either of the two decision-making procedures. This highly visible and contentious issue is considered by many to be the proof case for EC trade policy, pitting two different policy orientations -- protectionist and free-market -- against each other.

EC reluctance to reform the Common Agricultural Policy (CAP), a system of price supports and subsidies for the agricultural sector, has proven a formidable obstacle in the latest

round of GATT negotiations. The CAP was one of the founding successes of European integration and the struggle to contain it provides some important insights into EC decision-making. The reluctance to reform provides the focus of this analysis.<sup>1</sup> Policies concerning the CAP are formulated in the Commission and decided upon by means of the Consultation procedure.

The decision on EC car exhaust emissions standards was formulated in the Commission and decided by means of the Co-operation procedure. This case and the reluctance to CAP reform provide an opportunity to contrast the two main EC decision-making procedures -- the Consultation and Co-operation procedures -- and to see if the same theoretical explanations hold true for both procedures. It is anticipated that the Co-operation procedure will encompass an increasing share of EC policy decisions. Hence, this case may provide some important clues to the nature of future EC policy-making.

Four theoretical explanations will be examined for each of the policy outcomes: institutionalist, pluralist, Marxist, and liberal economic theory. Institutional theory emphasizes the role of the state in policy outcomes. The view that "the organization of political life makes a difference" is asserted by March and Olsen.<sup>2</sup> Skocpol, in her survey of institutionalist literature, recognizes two broad orientations of recent institutionalist theory.<sup>3</sup> The first orientation asserts the role of the state in terms of its autonomy and capacity. As we will see, the EC does not fare well with either of these characteristics. For example, Skocpol lists sheer sovereign integrity,

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<sup>1</sup>During the researching of this paper the resumption of the Uruguay round of GATT negotiations was announced, but there is little sign that the EC is prepared to introduce substantial reforms. Financial Times, February 27, 1991, p. 11.

<sup>2</sup>James March and Johan Olsen, "The New Institutionalism," American Political Science Review, 78(1984), p. 747.

<sup>3</sup>Theda Skocpol, "Bringing the State Back In," eds. Peter Evans, et al, Bringing the State Back In (Cambridge: Cambridge University Press, 1985), p. 8.

administrative-military control, and a state's means of raising and deploying financial resources as three measures of the state capacity.<sup>4</sup> The EC, reigned in by member-states wary of ceding any more sovereignty, does not satisfy any of these measures. Clearly, this area of institutionalist theory does not hold much promise for the analysis.

The second orientation deals with "the impact of states on the content and workings of politics."<sup>5</sup> This orientation forms the foundation of the institutionalist analysis to follow, and is well represented by the view that Atkinson and Coleman take of Canadian industrial policy. They argue that "policy outcomes...depend on the institutional arrangements relating state agencies, interest groups, and industry structures."<sup>6</sup> On a more general level, they state that, "political life in general, and the preferences of political actors in particular, are likely to be heavily influenced by institutional experience."<sup>7</sup> This view is reinforced by Hall's account of economic policy in Britain and France, which extends "an approach to political analysis that stresses the way in which institutions structure state-society relations and the direction of policy."<sup>8</sup>

The institutionalist explanations pursued here emphasize two main aspects of institutional organization: the rules that govern policy formation and the power struggle between the EC's main institutions. It is anticipated that rules will matter because they determine how much influence each institution can exert over policy. This is important because each institution represents a different set of interests and vision of the EC. The power struggle between the

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<sup>4</sup>Ibid, pp. 16-17.

<sup>5</sup>Ibid, p. 8.

<sup>6</sup>Michael Atkinson and William Coleman, The State, Business, and Industrial Change in Canada (Toronto: University of Toronto Press, 1989), pp. 9.

<sup>7</sup>Ibid, pp. 5-6.

<sup>8</sup>Peter Hall, Governing the Economy (New York: Oxford University Press, 1986), p. 259.

institutions -- its intensity is symptomatic of the state in its formative stages -- is anticipated to affect policy outcomes as the institutions use the policy process as an arena for this struggle. Policy considerations will be affected by how the institutions perceive the policy outcome to affect their share of power.

Pluralist theory, which stems from the larger body of group theories of politics, holds that policy outcomes reflect the resource-weighted preferences of interest groups. As Garson notes, earlier group theories featured a vision of society being "composed of a large number of groups," with the absence of a group claiming to "represent the 'general' will of society."<sup>9</sup> The state is viewed as serving as a "relatively neutral agency for determining and implementing collective decisions," and is free from elite or class domination.<sup>10</sup> The reemergence of group theories in the fifties led to the development of pluralist theory. In contrast to earlier group theories, pluralism does not require that the state be neutral. Garson notes that "group theorists increasingly reoriented their approach to emphasize governmental actors as interests in the group process, not arbiters."<sup>11</sup> This is evident in Dahl's vision of the US government as "numerous groups of officials in competition and conflict with another."<sup>12</sup> Garson also notes that the pluralist critique views the state as less than sovereign; rather it is one of many associations in society.<sup>13</sup> These two key features of pluralism -- the state viewed as many interested actors and

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<sup>9</sup>G. David Garson, Group Theories of Politics (London: Sage Publications, 1978), p. 24.

<sup>10</sup>Ibid.

<sup>11</sup>Ibid, p. 88.

<sup>12</sup>R. H. Dahl, A Preface to Democratic Theory (Chicago: University of Chicago Press), 1956, p. 137.

<sup>13</sup>Garson, p. 18.

as one of many associations -- are well suited to the EC. As we will see below, the EC does not speak with a unified voice, nor does it possess a wealth of sovereignty.

A final note on the pluralist analysis concerns the failure of pluralist theory to explain why some interest groups succeed while others fail. Olson's logic of collective action -- that the distribution of costs and benefits of collective action on policies affects the success or failure of an interest group -- will be applied to the cases to help account for variations in interest group effectiveness.<sup>14</sup> Though not considered a pluralist, Olsen's work serves as a useful addition to the pluralist analysis.

Common to Marxist literature is the view that the state acts on behalf of the capitalist class, as opposed to the working class. Policy outcomes are seen as being the preference of, or in the best interest of capitalists. The government maintains the conditions in which profitable capital accumulation is possible and legitimizes the capitalist system to avoid working class revolt. There is a significant degree of variation in Marxist literature regarding the relationship between the state and the capitalist class. Structuralists, such as Block, view the state as acting on behalf of the capitalist class as a result of state-business-society structures, rather than in a conscious and deliberate manner.<sup>15</sup> Block notes the existence of a causal mechanism that forces the state to act in the favour of the capitalist class. Simply stated, the consequences of economic failure -- reduced tax revenue and electoral losses -- ensure that governments work to promote business.<sup>16</sup>

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<sup>14</sup>Mancur Olson, The Logic of Collective Action (Cambridge: Oxford Press, 1965).

<sup>15</sup>Instrumentalists, on the other hand, view the state as acting on behalf of capitalists in a conscious, even conspiratory manner. Although he rejects the caricature of the state as "a committee for managing the affairs of the whole bourgeoisie," Panitch notes that the state plays a deliberate role in maintaining socio-economic inequality. Leo Panitch, "The Role and Nature of the Canadian State," in Leo Panitch, ed., The Canadian State (Toronto: University of Toronto Press, 1977), pp. 3-4, 23.

<sup>16</sup>Fred Block, "The Ruling Class Does Not Rule," Socialist Revolution, 7 (1977), p. 15.

Block emphasizes that the state "must be able to take actions against the particular interests of capitalists," in order to "act in the general interest of capital."<sup>17</sup>

The structuralist variant of Marxism will provide the basis of the analysis to follow. Policy outcomes will be tested to see whether they adhere to basic Marxist criteria: that they facilitate capital accumulation or legitimize the capitalist system. They will not, however, be required to reflect a class-consciousness on the part of the state. Also, policy outcomes will be analyzed to see whether they are in the general interest of capital, rather than serving the particular interests of capitalists.

Although the EC has had its roots firmly planted in security related concerns, economic concerns dominate the latest phase of community building. As Webb notes, "the emotional and symbolic goal of putting an end to Franco-German enmity has now been overtaken by more material and prosaic calculations."<sup>18</sup> The 1992 project embodied by the SEA is largely a response to European economic troubles of the early 1980's. The 'Eurosclerosis' of these years -- characterised by high unemployment -- and the high growth of the Japanese and Newly Industrialised Countries economies created an atmosphere in which European integration could be pursued more vigorously than ever before.

The 1992 project is based on liberal economic principles. The Commission White Paper that presaged the SEA emphasizes the benefits of free markets. Gilpin states that "Liberal economic theory is committed to free markets and minimal state intervention."<sup>19</sup> Both free markets and limited state intervention feature prominently in the 1992 project. The importance

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<sup>17</sup>Ibid, p. 9.

<sup>18</sup>Carole Webb, "Theoretical Perspectives and Problems," in Policy-Making in the European Community, eds. H. Wallace, W. Wallace, and C. Webb (London: Wiley and Sons, 1983), p. 3.

<sup>19</sup>Robert Gilpin, The Political Economy of International Relations (Princeton: Princeton Press, 1987) p. 27.

of liberal economic theory to the 1992 project is, however, no guarantee that economic considerations will determine policy outcomes. Broad statements of intent impose no direct costs, but specific policies do. It is anticipated that the EC's commitment to liberal economic theory will be tested as the political costs of policy proposals are considered.

Given these considerations, the thesis will explore the extent to which liberal economic theory influences EC policy-making. This analysis tests the effectiveness of a group of related ideas as a causal agent in the formation of policy. Within the European context, the idea as causal agent is present in Garrett's analysis of member-state compliance with EC law.<sup>20</sup> On the subject of economic theory as causal agent, Hall has explored the influence of Keynesian theory on policy. He notes that "ideas are generally acknowledged to have an influence over policy making."<sup>21</sup> Each policy will be analyzed from a liberal economic perspective to determine the influence of this group of ideas over policy outcomes.<sup>22</sup>

A study of the EC policy making process would benefit from an analysis of public opinion. However, assessing the role of public opinion in forming EC policy outcomes is a complex and exhaustive task. Ideally, public opinion data on each of the three policy issues in each of the member-states would be examined. This task is not within the means of this thesis for two reasons. First, existing public opinion data is of a general nature. For example, there is much

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<sup>20</sup>Geoffrey Garrett & Barry Weingast, "National Autonomy, European Law and the Internal Market: Norms, Institutions and European Integration," paper prepared for the SSRC Workshop on Ideas in Foreign Policy (Stanford: 1991), p. 37.

<sup>21</sup> Peter Hall, The Political Power of Economic Ideas (Princeton: Princeton Press, 1989), p. 4.

<sup>22</sup>This analysis confines itself to liberal economic theory -- characterised by a belief in the benefits of open markets and the efficient allocation of capital -- in recognition of its dominance in economic theory and due to the constraints of the paper. Within the context of the EC, economic nationalist perspectives have been argued by 'New Protectionists' such as Hager and Strange. See Wolfgang Hager, "Protectionism and Autonomy: How to Preserve Free Trade in Europe," in International Affairs, 58: 1982, and Susan Strange, "Protectionism and World Politics," in International Organization, 39:2 Spring 1985.

evidence of support for environmental policy but little data that links that support to specific, technically oriented policy such as exhaust emissions. In the absence of such data, a pan-European opinion poll would have to be conducted. Such a requirement runs up against the second obstacle that the analysis faces: constrained resources.

The difficulties posed by public opinion analysis do not necessarily preclude some analysis of an explanation for policy outcomes based on public opinion. Impediments to the influence of public opinion on policy will be examined in chapter 1. Moreover, references to public opinion will be made in the case analyses and some conclusions will be drawn regarding the influence of public opinion on EC policy making. It will be shown that, despite the absence of public opinion data, the policy process of the EC is not very conducive to the influence of public opinion.

The first chapter of the paper provides an overview of the institutions of the EC. The functions, balance of power, and relationships between the three main institutions -- the Council of Ministers, Commission, and European Parliament -- will be examined. A second group of institutions -- the European Court of Justice, COREPER, and the Economic and Social Committee -- will also be examined. Though they are not central to EC policy-making processes, their roles must be understood to complete the framework within which decisions are made. The chapter will conclude with a look at the consequences of the institutional organization and the national-supranational balance of power of the EC.

The second chapter provides an introduction to the policy-making processes of the EC. A distinction will be made between two main policy-making stages. The first is the stage at which EC policies are formulated by the Commission to be presented to the other institutions as proposals. The complexity of and variation in policy processes at this stage are such that generalization of policy processes is difficult. At the second stage, policies are subject to one of

two general procedures: the Consultation procedure or the Co-operation procedure. The Consultation procedure is used to develop proposals into final policies through closed door bargaining between the Commission and Council of Ministers (CoM). The Co-operation procedure, introduced by the SEA, is a formal and more open procedure that allows greater input from the Commission and the European Parliament (EP). The issue of implementation will also be addressed, drawing attention to the considerable shortcomings of this aspect of EC policy-making.

Next, each case will be described and tested against each of the theoretical explanations. A conclusion will follow to assess the strengths and weaknesses of each theoretical explanation. The order in which the theoretical explanations are addressed gives some indication of how they are expected to fare. Institutional explanations are expected to apply to the cases quite successfully, as are pluralist explanations. Marxist and liberal economic explanations, on the other hand, are not expected to apply as successfully. The analysis to follow is but a cursory glance at a complex and changing state. Hopefully, some valuable insights and conclusions will be gained from this exercise.

# 1. INSTITUTIONS

To understand the roles of the EC's three main institutions it is useful to draw a comparison between them and the three main institutions of the government of the United States. The Commission is somewhat like the executive of the US, both have a President, departments responsible for particular policy areas, and a supporting bureaucracy. The Council of Ministers (CoM) can be compared to the Senate as it is where states are represented. Finally, the European Parliament (EP) is much like the House of Representatives, with each MP elected by universal suffrage.

But here is where similarities end. The European institutions are significantly less democratic and accountable than their US counterparts. Moreover, there is little equilibrium in the balance of power between the institutions. Ironically, the only truly democratic institution of the three, the EP, is also the least powerful.

There are a number of other institutions that will be described briefly. They are generally smaller than the big three and perform auxiliary roles in the policy process. Some would argue that the European Court of Justice deserves a place amongst the first tier of EC institutions. But, as will be shown, it lacks the political resources to significantly affect policy content or outcomes.

The design and jurisdiction of EC institutions is contained in the founding treaties of the EC. The EC, as it is generally referred to, is an amalgam of three legally distinct communities: The European Coal and Steel Community (ECSC), the European Economic Community (EEC), and the European Atomic Energy Community (Euratom). The ECSC dates back to 1951 and was formed by the 'original six' -- Belgium, France, Italy, Luxembourg, The Netherlands, and West

Germany -- to unify them in these strategic sectors.<sup>1</sup> The ECSC remains, though amended, as the blueprint for the institutional design that exists today.

This design was broadened in 1957 by the Treaty of Rome, which established the EEC. Concern for Western European security was again a driving force as the 'original six' joined in economic union. As Kerr notes, the Treaty's immediate objectives were to "get rid of all obstacles to the free movement of people and of resources between the member-states, and to promote economic growth throughout the Community."<sup>2</sup> Most of the policies being formed in preparation for 1992 are envisioned in the Treaty but were not carried out until recently.

Euratom was also established in 1957, with the task of "creating the conditions necessary for the speedy establishment and growth of nuclear industries."<sup>3</sup> It recognized the importance of nuclear technology to industrial competitiveness and to western European security.

The three communities were amalgamated by the Single European Act (SEA) adopted in 1986. The SEA provided the "necessary political impetus and legal framework to achieve a truly unified market by 1992."<sup>4</sup> The 1992 plan placed unprecedented demands on the EC institutions in terms of the volume and broadened scope of the policies to be made. The SEA accommodated these demands with two major changes. First, the requirement of member-states to be unanimous on policy decisions was replaced by a qualified majority requirement on matters dealing with the completion of the internal market. Second, the powers of the EP were

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<sup>1</sup>Anthony J. C. Kerr, The Common Market and How it Works (Oxford: Pergamon Press, 1986), p. 5. The ECSC was founded by Robert Schuman, the French Foreign Minister, who saw it as a way to deter aggression from the east without rearming Germany.

<sup>2</sup>Ibid, p. 7.

<sup>3</sup>Treaty Establishing the European Atomic Energy Community, Article 1.

<sup>4</sup>The Commission, Europe Without Frontiers: Completing the Internal Market (Luxembourg: Official Publications of the EC, 1989), p. 23.

significantly expanded with the introduction of the Co-operation procedure. This procedure and its significance will be explained in greater detail below.

#### The Commission

Though the Commission does not have final say on most policy matters, it is the heart of the policy-making process and of the EC itself. The functions of the Commission can be separated into three main tasks: to promote European integration, to act as guardian of the Treaties, and to formulate and implement EC policies. In its role as the "driving force behind European integration," the Commission sets strategic goals, formulates policy, drafts legislation, prepares the budget, and manages EC politics.<sup>5</sup>

As guardian of the Treaties, the Commission may investigate, summon, execute summary justice and refer those held in breach to the Court of Justice.<sup>6</sup> Due to its limited resources, the Commission depends on aggrieved parties or other external observers to report infringements of EC law. As will be shown later, the Commission's inability to enforce policy effectively is a major weakness in the EC policy process.

The Commission is divided into 23 Directorate Generals (DGs), which are presided over by 17 Commissioners. DGs are divided along issue categories, much like ministries in a parliamentary system. The imbalance of DGs to Commissioners is accounted for by combining two smaller DGs in some Commissioners' portfolios.

Commissioners are nationally appointed, two from each of the larger states (France, Germany, Italy, Spain, and Britain) and one from each of the seven smaller states. A new Commission is appointed every four years and terms are renewable. Commissioners are to act "in

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<sup>5</sup>Peter Ludlow, "The Institutions of the European Community," The Annual Review of European Community Affairs 1990, ed. Peter Ludlow (London: Brassey's, 1991), p. XVIII.

<sup>6</sup>Ibid, p. IXX.

the general interests of the Communities" and prohibited from seeking or taking instructions from any Government.<sup>7</sup> This constitutional view of Commissioners stands in contrast to the reality of Commissioner conduct. In reality, Commissioners walk a line between serving the EC and serving their national governments.

National influence is ensured in a number of ways. First, Commissioners are often chosen on the basis that they will "keep an eye out for national interests."<sup>8</sup> If they fail to do so, they run the risk of not being re-appointed. This was the fate of Lord Cockfield: he had been appointed by Margaret Thatcher, but was not reappointed because she felt he had 'gone native.'<sup>9</sup> For those Commissioners that intend to venture back into national politics, failure to serve the national interest may adversely affect their future political fortunes. Williams notes that some Commissioners "look to their national government for the advancement of their careers," and that these Commissioners are especially vulnerable to national influence.<sup>10</sup> This influence extends to the President of the Commission, Jaques Delors. Williams claims that he intends to run for the Presidency of the French Republic and that his actions must be acceptable to French voters and to his French Socialist Party peers.<sup>11</sup>

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<sup>7</sup>ECSC Treaty, Article 9.

<sup>8</sup>Neil Nugent, Government and Politics in the European Community (Durham: Duke University Press, 1989), p. 56.

<sup>9</sup>Ibid, p. 56. Lord Cockfield was one of the key actors in the emergence of the SEA, an act that pursued European integration further than Thatcher advocated.

<sup>10</sup>Shirley Williams, "Sovereignty and Accountability in the European Community," in The Political Quarterly, V. 16, N. 3, July-September 1990, p. 312.

<sup>11</sup>Ibid.

Conversely, a Commissioner who acts 'consistently and blatantly' as a national spokesperson risks losing credibility with other Commissioners.<sup>12</sup> The esteem with which a Commissioner is held by his or her peers is a sizable determinant of political power within the Commission.

There are other factors that effect the perception, and, hence power, of a Commissioner by his or her peers. A Commissioner's consistency and level of activity on issues are crucial to this assessment.<sup>13</sup> A Commissioner is also assessed on the basis of his or her state of origin. Commissioners from more economically developed states are held in higher esteem. Commissioners from poorer states face an uphill struggle as they strive to overcome national stigma. A member-state's record of implementing EC laws may also have an effect on its Commissioners influence. This is often cited as a cause for Italy's disproportionately low influence at the Commission.<sup>14</sup>

As an institution the Commission must be wary of how it is perceived by member-states, most of whom are reluctant to transfer sovereignty to it. If it attempts to act too strongly against national interests, member-states may retaliate by weakening the Commission's powers. In light of this, the Commission may seek the cooperation of the EP in instances where the Commission's policy objectives differ significantly from those of the member-states. In this scenario the Commission may tone down a proposal in anticipation of EP demands for a more ambitious proposal. Once the EP opinion has been presented the Commission may strengthen the proposal,

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<sup>12</sup>Nugent, p. 56.

<sup>13</sup>Personal interview with Christian Egenhoffer & Gabriele Jauernig, CEPS, June 12, 1991, Brussels.

<sup>14</sup>It should be noted that the considerable influence of Commissioner Carlo Ripa de Meana stands as evidence against this. Ironically, he is the Commissioner for the Environment and yet his home state, Italy, is second only to Spain in breaching EC environmental policy. "The dirty dozen," The Economist, 20 July 1991, p. 52.

## Table 1.1

### DIRECTORATE GENERALS OF THE COMMISSION

DG I	-External Relations
DG II	-Economic & Financial Affairs
DG III	-Internal Market & Industrial Affairs
DG IV	-Competition
DG V	-Employment, Social Affairs, & Education
DG VI	-Agriculture
DG VII	-Transport
DG VIII	-Development
DG IX	-Personnel & Administration
DG X	-Information, Communications, & Culture
DG XI	-Environment, Consumer Protection, & Nuclear Safety
DG XII	-Science, Research & Development
DG XIII	-Telecommunications, Information Industries & Innovation
DG XIV	-Fisheries
DG XV	-Financial Institutions & Company Law
DG XVI	-Regional Policy
DG XVII	-Energy
DG XVIII	-Credit & Investment
DG XIX	-Budgets
DG XX	-Financial Control
DG XXI	-Customs Union & Indirect Taxation
DG XXII	-Coordination of Structural Policies
DG XXIII	-Enterprise Policy

Source: Peter Ludlow, ed. The Annual Review of European Community Affairs, p. 273.

## Table 1.2

### COUNCIL VOTES BY MEMBER-STATE

10:	Germany, France, Italy, & Britain (each)
8:	Spain
5:	Belgium, Greece, Netherlands, & Portugal (each)
3:	Denmark & Ireland (each)
2:	Luxembourg

Source: The Commission, The institutions of the European Community, p. 5.

## Table 1.3

### EUROPEAN PARLIAMENT SEATS BY MEMBER-STATE

81:	Germany, France, Italy, & Britain (each)
60:	Spain
25:	Netherlands
24:	Belgium, Greece, & Portugal (each)
16:	Denmark
15:	Ireland
6:	Luxembourg

Source: The Commission, The institutions of the European Community, p. 6.

citing EP pressure for the change. In this way, the Commission may fulfil its policy objectives without incurring the wrath of member-states determined to keep the Commission on a short leash.

#### The Council of Ministers

The Council of Ministers (CoM) or Council, as it is commonly referred to, is less active than the Commission in policy formulation but has more power over final decisions. The term 'Council' actually refers to a number of CoMs, each composed of Ministers from member-state governments. The composition of each CoM depends on the policy area at hand. For example, the CoM deliberating over CAP reform is composed of member-states' agriculture ministers. The most important CoM is the European Council, which meets twice a year and is composed of the heads of each member-state.

On most policies, the CoM has the final say and "defines by whom and in what way [they] should be implemented."<sup>15</sup> It deals almost exclusively with Commission proposals and then dictates the terms of implementation for the Commission to implement and enforce. Prior to the SEA, decisions were only possible through unanimity, a feature that tended to produce lowest common denominator policies, but are now made on most subjects by qualified majority.<sup>16</sup> To achieve a qualified majority a policy proposal must receive 54 out of a total of 76 votes. The vote distribution by member-states is shown in Table 1.2.

The CoM is a target for those who criticise the EC for its lack of democracy. Pinder likens the CoM to an executive body rather than an elected assembly. He notes that the CoM "negotiates behind closed doors and approves without debate many of the texts prepared by the

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<sup>15</sup>Ludlow, "The Institutions of the European Community," p. XVI.

<sup>16</sup>Ibid, p. XVI.

officials."<sup>17</sup> Moreover, the government people sent to the CoM are not all elected people, some are Lords or State Secretaries.<sup>18</sup>

### The European Parliament

The European Parliament (EP) is the voice of democracy in the EC. Its 518 deputies are elected by universal suffrage every five years and distribution is related, albeit inconsistently, to the population of each member-state.<sup>19</sup> Before the SEA it was a voice heard but seldom heeded. Prior to the SEA, the EP was confined to advisory status: the CoM was required to seek its advice on policy matters but was under no formal obligation to heed it. Despite having some power over the passing of the budget and the power to dismiss the Commission, the EP was vilified as "impotent, irrelevant, and a waste of time and money," by the European press.<sup>20</sup> EP elections were viewed as national referenda and campaigns focused on national issues rather than issues of a pan-European nature.<sup>21</sup>

During the 1980's the EP has striven to increase its legislative power within the EC. It has inferred for itself a right of initiation, a right that was not provided by the Treaties.<sup>22</sup> With the introduction of the Cooperation procedure, included in the SEA, the EP has acquired the power to amend and reject policy proposals. Nonetheless, the powers of the EP lag far behind

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<sup>17</sup>John Pinder, "The European Community, the Rule of Law and Representative Government," in Government and Opposition, Spring 1991, p. 204.

<sup>18</sup>Ibid.

<sup>19</sup>The Commission, The institutions of the European Community (Luxembourg, EC Official Publications, 1989), p. 6. See Table 1.3 for vote distribution.

<sup>20</sup>Juliet Lodge, "Ten Years of an Elected European Parliament," in The 1989 Elections of the European Parliament, edited by Juliet Lodge (London: Macmillan, 1990), p. 1.

<sup>21</sup>Ibid, p. 2.

<sup>22</sup>Ibid, p. 12.

those of the CoM and the Commission. For example, its ability to amend or reject policy depends on Commission support and applies only to policies decided via the Co-operation procedure.

#### The European Court of Justice

The 13 members of the ECJ serve six year terms and are appointed 'by common accord of the Governments of the Member States.'<sup>23</sup> They have the power of judicial review, allowing them to decide whether EC policy is compatible with the Treaties. They are also called on by the Commission to decide whether or not a member state, business or individual is in contradiction of EC law. The power of the ECJ is limited by the fact that it has "no real traditional coercive authority to enforce EC law on sovereign governments."<sup>24</sup>

#### COREPER

COREPER (Commite des Representents Permanents) is closely associated with the CoM and was formed to provide a permanent presence for member-states at the EC level. It is a group of national experts who examine Commission proposals and negotiate member-state positions based on the expert advice. These positions are then submitted to the CoM that will decide on the policy. Simply stated, COREPER lays the groundwork for the CoM and ensures continuing member-state influence throughout the entire policy process. According to Kerr, this is often where real CoM decisions are taken.<sup>25</sup>

#### The Economic and Social Committee

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<sup>23</sup>The ECSC Treaty, Article 32d.

<sup>24</sup>Geoffrey Garrett, "The European Internal Market: the political economy of regional integration," paper prepared for Ford Foundation Workshop on Multilateralism, Stanford University, 1991, p. 27.

<sup>25</sup>Kerr, p. 65.

The Economic and Social Committee (ESC) is a consultative body with 189 members who represent "employers, trade unions and other interested groups such as farmers and consumers."<sup>26</sup> Although the CoM is required to seek its opinion, there is no constitutional requirement to abide by its recommendations. One practical role of the ESC is to provide an indication of the positions of relevant interest groups on policy proposals. This helps to avoid conflict at later stages of the policy process.

#### Consequences of the Institutional Organization

The organization of EC institutions has four interrelated consequences: a lack of democracy in its key institutions, a lack of public knowledge concerning deliberations and voting at the Council and Commission, a poor flow of information between the EC and European citizens, and inconsistencies in the way national politicians operate at the national and supranational level. Williams defines the 'democratic deficit' of the EC as the "gap between the powers that have been conferred to the Community level and the control of the elected Parliament over them."<sup>27</sup> She notes that this gap is filled by national civil servants and by organized lobbies which mainly represent business. In practice, this means that substantial influence is exercised over EC policy by actors who are unaccountable to any elected body. Without such accountability, there exists little reason for them to act in response to public opinion. The 'democratic deficit' of the EC has drawn criticism from inside the EC as well. The EP has been at the helm of attempts to improve the democratic measure in the EC. MEP

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<sup>26</sup>The Commission, The institutions of the European Community (Luxembourg: Official Publications of the EC, 1989), p. 10.

<sup>27</sup>Williams, p. 306.

Fernand Herman stated that, "decision-making behind closed doors and without any public accountability could hardly be considered satisfactory."<sup>28</sup>

The closed nature of Commission and Council proceedings present another obstacle to the influence of public opinion. Debates are not public and there are no minutes available of them. Furthermore, there are no official records of votes. This gives EC officials some immunity from public scrutiny for they can not readily be associated with their voting activities at the EC level. The absence of public debate also serves to dampen media interest in Council meetings.<sup>29</sup>

Voting records may be pieced together with information leaked by EC insiders, but this requires effort and contacts. Those who supply and report information risk being ostracized from EC circles. Egenhoffer notes that in cases where Commissioners are concerned about accountability they can solicit the voting intentions of other Commissioners; with this information in hand, they may in many instances vote against personal preference with the knowledge that their vote will be in the minority and their preferred policy will triumph.<sup>30</sup>

The poor flow of information between the EC and European citizens is another obstacle to the influence of public opinion over EC policy. French and English are the dominant languages spoken in the corridors of the Commission, and used for the initial issuances of directives and papers.<sup>31</sup> Securing accurate information in other languages is a difficult task shortly after policy decisions have been made. Williams notes that national newspapers and

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<sup>28</sup>Fernand Herman, "Political and Democratic Accountability", transcript of speech delivered as part of Business Policy Seminar N.32, "The Agenda of the Intergovernmental Conferences: What can be achieved?" at the Centre for European Policy Studies, Brussels, February 26, 1991.

<sup>29</sup>Ibid.

<sup>30</sup>Personal interview with Christian Egenhoffer, Research Coordinator at the Centre for European Policy Studies (CEPS), June 24, 1991, Brussels.

<sup>31</sup>"Jetzt wird Deutsch gesprochen," The Economist, August 17, 1991, p. 46.

television stations rely almost entirely on national government sources for their EC information. She reports that "each minister tells his or her own national media what s/he wants them to hear."<sup>32</sup> By the time government documents have been released -- they are published in the Official Journal of the EC -- and the details can be scrutinized, EC policy-makers have moved on to new issues. At this point, reopening policy issues due to public demand is unlikely.

The gap between what occurs and what is reported also surfaced in the interview with Egenhoffer. On meeting a Brussels correspondent for a German business magazine, he asked why the magazine's EC articles always ended with some anti-EC section, complaining about "Eurocrats, Eurocracy, and centralism." The correspondent replied that, "that's what they do in Hamburg," claiming that if he did not write it himself, editorial staff in Germany would add the anti-EC section. The correspondent was said to have claimed that it was what the German market wanted, so the magazine created it out of "pure commercial interest."<sup>33</sup> Egenhoffer states that this is but one example of the "filtering" that occurs to coverage as it moves from Brussels to the rest of Europe.

The differences between what is seen in Brussels and in the rest of the EC also exist in the actions of politicians. Schwalba-Hoth likens some of the politicians operating at both the national and EC level to the old Italian divinity, Janus. Janus was represented with two faces, each looking in opposite directions. Schwalba-Hoth explains that the addition of a supranational level of government has allowed national politicians to push through policies that they were unable to pursue earlier. The face shown to the national audience is one of reluctance, but acquiescence to EC policy for fear of exclusion. The face shown in Brussels is one of

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<sup>32</sup>Williams, p. 309.

<sup>33</sup>Personal interview, Christian Egenhoffer.

encouragement for policies that are unpopular at home.<sup>34</sup> In this scenario, public choice is circumvented by manipulating a popular fear of exclusion from the EC.

As is evident from these examples, the institutional organization of the EC places some formidable obstacles between European citizens and policy-makers. These obstacles suggest that the EC can operate well outside the boundaries of public opinion, protected by a cloak of secrecy and a lack of accountability. Even if the analysis of public opinion and policy outcomes reveals a responsiveness of the EC to the wishes of its citizens, there is little guarantee that this will continue. The constraints that the EC does face stem from its relationship with member-state governments. It is to this relationship that the thesis now turns.

#### The National-Supranational Balance of Power

One important concern of this paper is the distribution of decision making power between national governments and institutions at the supranational level. The effectiveness of the policy analysis to follow is dependent on some clarification of this key issue. Moravcsik provides a convincing case for the preeminence of national actors in his account of the negotiation of the Single European Act (SEA). He describes how European institutions were kept out of the process by excluding Parliamentary representatives from decisive forums.<sup>35</sup> Important EC officials, such as Jaques Delors, were included only after the outlines of documents were "proposed, negotiated, and approved...by the heads of government themselves."<sup>36</sup> This view is

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<sup>34</sup>Personal interview, Frank Schwalba-Hoth, Director of Greenpeace, Brussels, June 26, 1991.

<sup>35</sup>Andrew Moravcsik, "Negotiating the Single European Act: national interests and conventional statecraft in the European Community," International Organization, 45:1 (Winter 1991), p. 45.

<sup>36</sup>Ibid, p. 46.

echoed by Lodge, who urges that in order to understand EC policy "the power of national governments to promote or frustrate agreement [must] be realized."<sup>37</sup>

Scharpf states that the primacy of national control stems from the federalist design of the EC. He likens this arrangement to the German federal system, in which the national government shares power with the Lander governments (ie. states or provinces).<sup>38</sup> Scharpf's point that the significant difference between the EC and German federalism is that the "European Community is much weaker in relation to its member governments," serves to underscore the primacy of national control.<sup>39</sup>

Given these observations, it is tempting to assume that the EC serves little more than a rubber-stamping role for nationally formulated policies. But this is not the case. The EC's role in deciding whose national preferences succeed and whose fail assures it a considerable amount of discretion in the policy process. Moreover, Moravcsik and Scharpf's accounts of the EC policy processes do not fare well as indicators of common EC policy processes. They both rely on EC constitutional deliberations as empirical cases. These deliberations are not representative of general EC policy processes, rather they are the means by which these processes are formed and revised. That these deliberations directly affect the sovereignty of member-states, by defining what will be relinquished, ensures that member-states will play an uncharacteristically dominant role in their proceedings.

The influence of national governments over the policy-making process of the EC has some significant implications for analysis. Policy preferences are understood to be formed at the

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<sup>37</sup>Juliet Lodge, Institutions and Policies of the European Community (London: Pinter, 1983), p. xiii.

<sup>38</sup>Fritz W. Scharpf, "The Joint-Decision Trap: Lessons from German Federalism and European Integration" in Public Administration, Vol. 66 (Autumn 1988), p. 243.

<sup>39</sup>Ibid, p. 244.

national level and the role of the supra-national institutions is to provide a forum for bargaining. Hence, policy preferences will be examined within the national context and the EC will be considered as the mechanism which transforms these preferences into policy. In light of this, analysis of the distribution of power between member states within the institutional framework of the EC poses is crucial to policy outcomes.

#### Power Distribution Amongst Member-states

There is considerable support for the view that EC policy outcomes are mainly the result of tripartite bargaining between France, Germany, and the United Kingdom. Tugendhat states that, within the broader context of European history, "it is the fate of the small and relatively weak countries to be trampled on when their larger neighbours make war and to have their interests squeezed when those neighbours make up."<sup>40</sup> He goes on to emphasize the importance of postwar reconciliation, particularly between France and Germany, as a concept central to European union. Moravcsik states that the SEA resulted from interstate bargains between these three countries and that "from its inception, the EC has been based on interstate bargains between its leading member states."<sup>41</sup> Initially, these bargains were the bilateral agreements of France and Germany, but since the accession of the UK decisions have been trilateral in nature. Egenhoffer echoes this tri-partite view of EC policy-making by stating that, for most policy issues, "if two of the three want the policy they get it."<sup>42</sup>

The exclusion of Italy from the core decision making trio warrants an explanation. In terms of GDP size, population, and geographic area Italy is on par with, and in comparison with the UK exceeds, the major EC powers (see Figure 1.4). However, several factors contribute to its

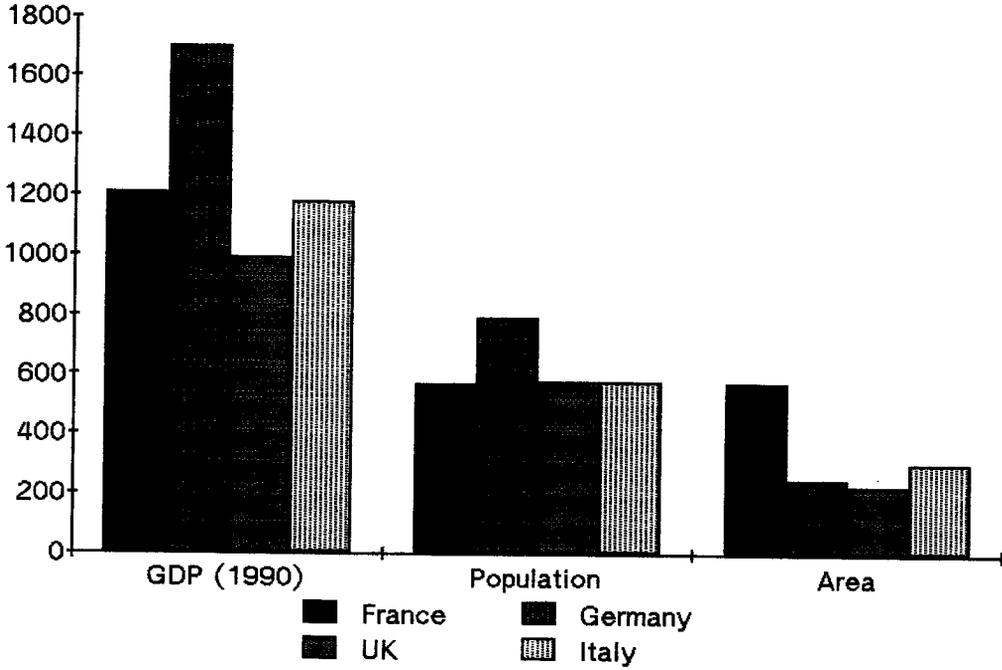
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<sup>40</sup>Christopher Tugendhat, Making Sense of Europe (Middlesex: Viking Press, 1986), p. 36.

<sup>41</sup>Moravcsik, p. 21.

<sup>42</sup>Personal interview, Christian Egenhoffer.

**Figure 1.4**  
COMPARATIVE STATISTICS: FRANCE, GERMANY, THE UK, AND ITALY



Source: *The World in 1991* (The Economist publications, 1991), p. 101.

lack of influence within the EC. First, the fragmented nature of the Italian government is a major obstacle to its degree of influence in the EC. In the words of one of its foremost writers, Luigi Barzini, Italy is "a rickety, divided, shabby, impoverished and backward nation, yet one that wasted its miserable resources trying to impersonate the great powers."<sup>43</sup> Though he underestimates the economic progress, in aggregate terms, that Italy has made he effectively summarizes the political frustration and impotence that Italy has suffered.<sup>44</sup> Second, and of lesser importance, Italy is one of the worst offenders when it comes to observing EC rules.<sup>45</sup> A third explanation emphasizes Italian exclusion due to its irrelevance to the central dynamic binding the tripartite arrangement. This dynamic attaches importance to the structural balance of power between the three main nations: France, wary of past aggression, seeks to keep Germany within the confines of the EC; but when faced with a growing economic gap between itself and Germany, France sought the inclusion of Britain to the EC, an inclusion that it had previously opposed. History provides an obvious case for why France would not have been satisfied with the Italian presence as a balance against German power.

The tripartite explanation for EC policy outcomes is not without critics. Paterson notes that the dominance of a particular national government varies sector by sector. He states that Germany wields much influence over environmental policy while Britain does not.<sup>46</sup> French

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<sup>43</sup>Luigi Barzini, The Europeans (Hammondsworth: Penguin, 1984), p. 29.

<sup>44</sup>For further support of this argument see Tugendhat, pp. 105-10.

<sup>45</sup>Tugendhat, p. 111. That this factor is of less importance in explaining Italy's lack of power within the EC is reinforced by France's equally poor record of compliance. EC requirements for the liberalization of financial markets were a major source of EC complaints levelled at Italy and France. For details, see "Capital ideas for southern Europeans," The Economist, 5 July 1986, pp. 65-6.

<sup>46</sup>William E. Paterson, "Britain, France, West Germany and the Development of the European Community", Politics in Western Europe Today, eds. D. W. Urwin & W. E. Paterson (London: Longman, 1990), p. 204.

influence, on the other hand, appears to have waned during the 1980s.<sup>47</sup> Paterson suggests that the three states exercise a "disproportionate influence" on the EC but that "none of the three, or even two acting in concert, is able to manage Community policy in any overall or coordinated way."<sup>48</sup> As we will see, the cases suggest that this latter view of the disproportional but limited influence of the EC's three prominent member-states holds true.

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<sup>47</sup>Ibid.

<sup>48</sup>Ibid.

## 2. POLICY PROCESSES

### AGENDA SETTING

Most EC policy has found its way onto the policy agenda by way of broad policy directives issued by the European Council. For example, most EC policies that have come out in the last several years or that are now being formed are a direct result of the SEA, itself a product of the European Council. The Act envisages a completed internal market by the end of 1992 and hence, most EC policy activity since then has been devoted to fulfilling this goal. The policy on Japanese car imports is one such policy; harmonized import restrictions are necessary to allow for a common market. Action on environmental policy was also called for by the European Council of Paris in 1971.<sup>1</sup>

If and when the internal market is completed, the agenda setting aspect of the policy process will probably resemble that of other western democratic federations. The Commission and the CoM have the constitutional right to initiate policy. At the Commission, action on an issue may be called for at a meeting of Commissioners, or their chefs des cabinets. It may occur through Council by request of a member state. Action on issues may also be called for during debate of the EP.<sup>2</sup> Though the EP has inferred the right of initiation upon itself, it has no legal basis for this right in the Treaties.

### POLICY FORMATION AND DECISION MAKING

There are two main stages in the formation of EC policy, with two major variations at the second stage (see Figure 2.1). The first stage of the policy process occurs at the Commission

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<sup>1</sup>Anthony J. C. Kerr, The Common Market and how it Works (Oxford: Pergamon Press, 1986), p. 70.

<sup>2</sup>Ibid.

### Figure 2.1

#### GENERAL POLICY FLOWCHART

FIRST STAGE

Broad Policy Statements

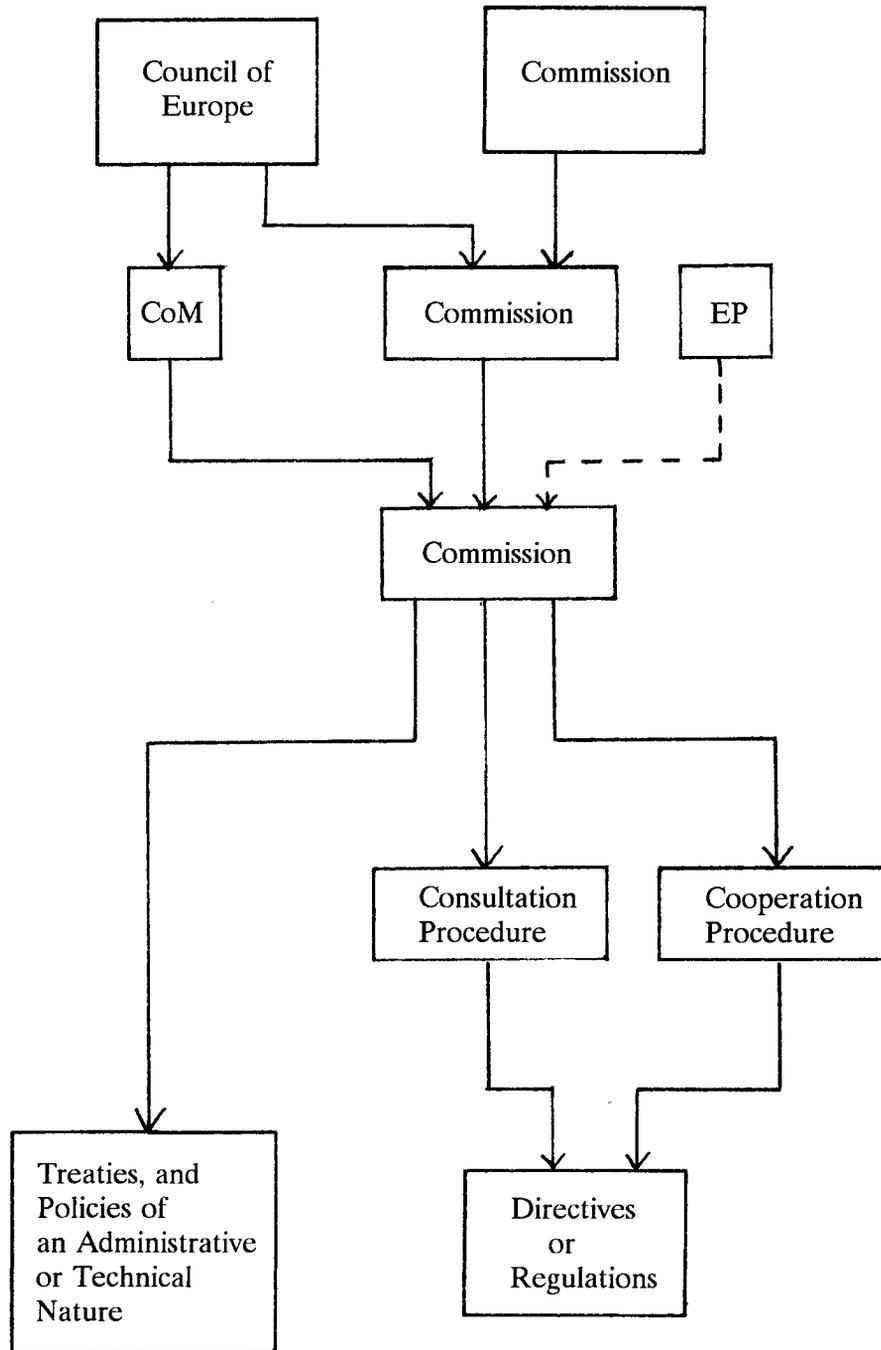
Calls For Specific Action

Policy Proposal Formulation

SECOND STAGE

Decision Making and Reformulation Procedures

OUTPUT



level and plays a role in almost all EC policies. At this stage, "a multiplicity of actors interact with one another via a myriad of channels."<sup>3</sup> It is common for an initial policy draft to be drawn up at the junior level of the Commission, in the appropriate DG. The draft is then passed upwards through superiors until it reaches the Commissioners for a decision.<sup>4</sup> Along the way it may be revised many times. Lodge notes that Commission proposals "represent the culmination of an extensive process of consultation with leading representatives of Euro-level interest groups, national experts, senior civil servants, and politicians."<sup>5</sup>

Nugent outlines five main factors that determine the nature of a proposal's formative process at the Commission: the proposed status of the matter under consideration; the degree of generality or specificity of the policy issue; the newness, importance, controversiality or political sensitivity of the issue; the balance of policy responsibilities between the EC and national level governments; and the circumstances and perception of circumstances surrounding an issue.<sup>6</sup>

The status of the matter under consideration refers to whether policy will result in EC law or in lesser technical or administrative regulations. The formation of EC law is characterised by more fixed processes. Policies of a non-legal nature are "characterised by the considerable discretion available to key decision makers."<sup>7</sup>

The degree of generality or specificity determines what levels of EC officials will become involved in the policy formation. Policy considerations of a more general nature are dealt with by

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<sup>3</sup>Neil Nugent, Government and Politics in the European Community (Durham: Duke University Press, 1989), p. 231.

<sup>4</sup>Personal interview, Maeve Doran-Schiratti, DGI - External Relations, Commission, Brussels, June 6, 1991.

<sup>5</sup>Juliet Lodge, The EC and the Challenge of the Future (London: Pinter, 1989), p. 38.

<sup>6</sup>Nugent, p. 324.

<sup>7</sup>Ibid, p. 235.

higher level officials, while highly detailed and technical regulations are dealt with by lower ranking officials.<sup>8</sup>

The newness, importance, controversiality and political sensitivity of an issue is related to the complexity of the process used to deal with it. The more any of these characteristics apply, "the more complex policy processes are likely to be."<sup>9</sup> This is especially evident in the cases of CAP reform and car import restrictions.

The balance of policy responsibilities between the EC and member-state level governments affects policy formation by increasing the importance of and attention paid to EC level processes in instances where the EC commands a significant level of responsibility.<sup>10</sup>

Finally, the circumstances and perception of circumstances surrounding a policy issue affect the process used in its formation. Prevailing economic and political circumstances may affect policy as may the perceptions of key political actors. Nugent notes that the shift of the EC, in steel production policy, from free market promoter to interventionist manager was largely a result of changing conditions in the world steel market.<sup>11</sup>

At the second stage of the EC policy process, policies follow one of two main procedures: the Consultation procedure or the Co-operation procedure. These occur after a Commission proposal has been tabled. Only policies that fall under the exclusive jurisdiction of the Commission, such as external trade, do not go on to this second stage. On external trade matters each member-state acts as signatory to an agreement, so the Commission must consult with them to ensure smooth passage of the completed treaty. Policy matters of an administrative or

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<sup>8</sup>Ibid, p. 236.

<sup>9</sup>Ibid, p. 236.

<sup>10</sup>Ibid, p. 237.

<sup>11</sup>Ibid, p. 238.

technical nature also tend to fall under the sole jurisdiction of the Commission. This type of Commission legislation is "usually subject to much less review and discussion."<sup>12</sup>

The Consultation procedure (Figure 2.2) is a vague and complicated process which preserves the dominance of larger member-states by concentrating decision-making power in the CoM. Once the Commission has tabled a proposal, the CoM is free to make amendments. Amended policies are returned to the Commission for approval. If the Commission rejects the amendment, the CoM may override the veto by a unanimous vote. The CoM must seek the opinions of the EP and, in some cases, the ESC, but it is not legally required to act on these opinions.

Prior to the SEA, the Consultation procedure required unanimity at the CoM. As Moravcsik notes, this tended to produce "lowest common denominator policies," that smaller member-states agreed to out of fear of EC exclusion.<sup>13</sup> The SEA altered this voting requirement to a qualified majority system, requiring 54 out of 76 CoM votes for passage of policy. CAP reform policies are subject to this procedure.

The Co-operation procedure (Figure 2.3) was introduced in the SEA as a means to increase the role of the EP in the policy process.<sup>14</sup> In this procedure the EP has two readings of a proposal. At the first reading it may accept, reject, or amend a policy. It is during this first reading that the EP has its best chance at significantly affecting a Commission proposal.<sup>15</sup> After

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<sup>12</sup>Ibid, p. 235.

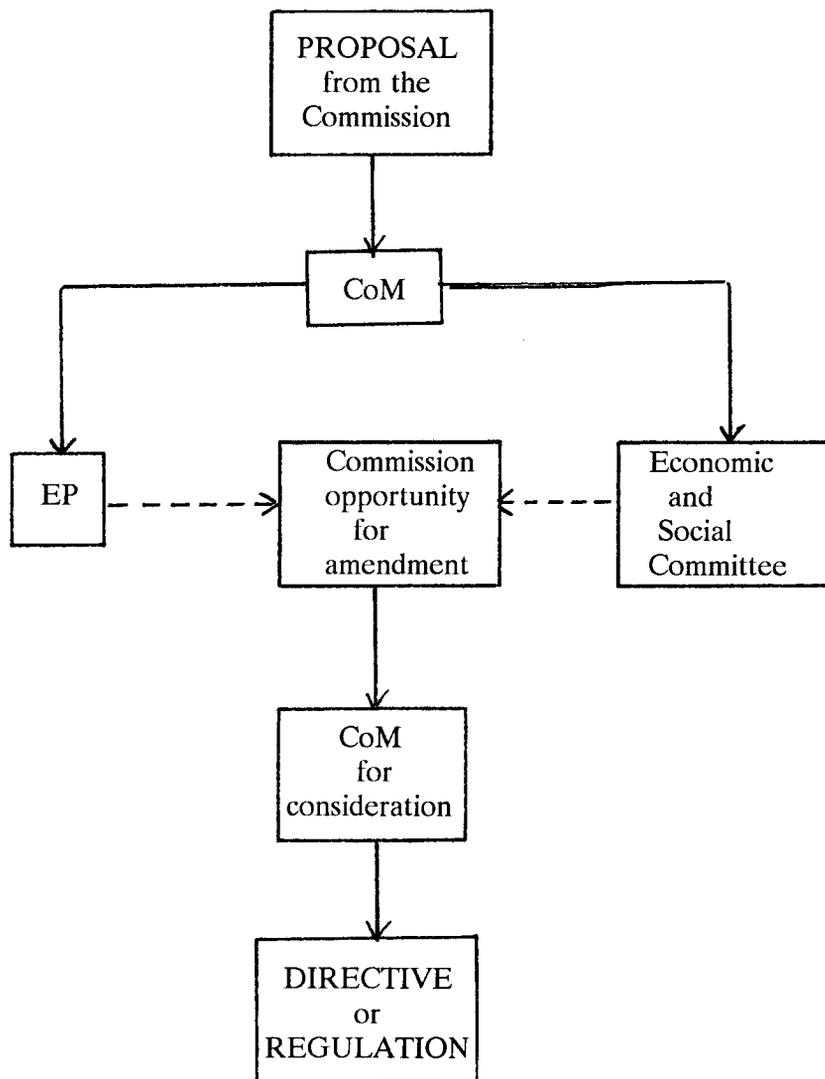
<sup>13</sup>Andrew Moravcsik, "Negotiating the Single European Act: national interests and conventional statecraft in the European Community," International Organization, 45:1 Winter 1991, p. 25.

<sup>14</sup>Juliet Lodge, "European Community Decision-Making: Towards the Single European Market," in Politics in Western Europe Today, eds. D. W. Urwin and W. E. Paterson (London: Longman, 1990), p. 218.

<sup>15</sup>Ibid.

**Figure 2.2**

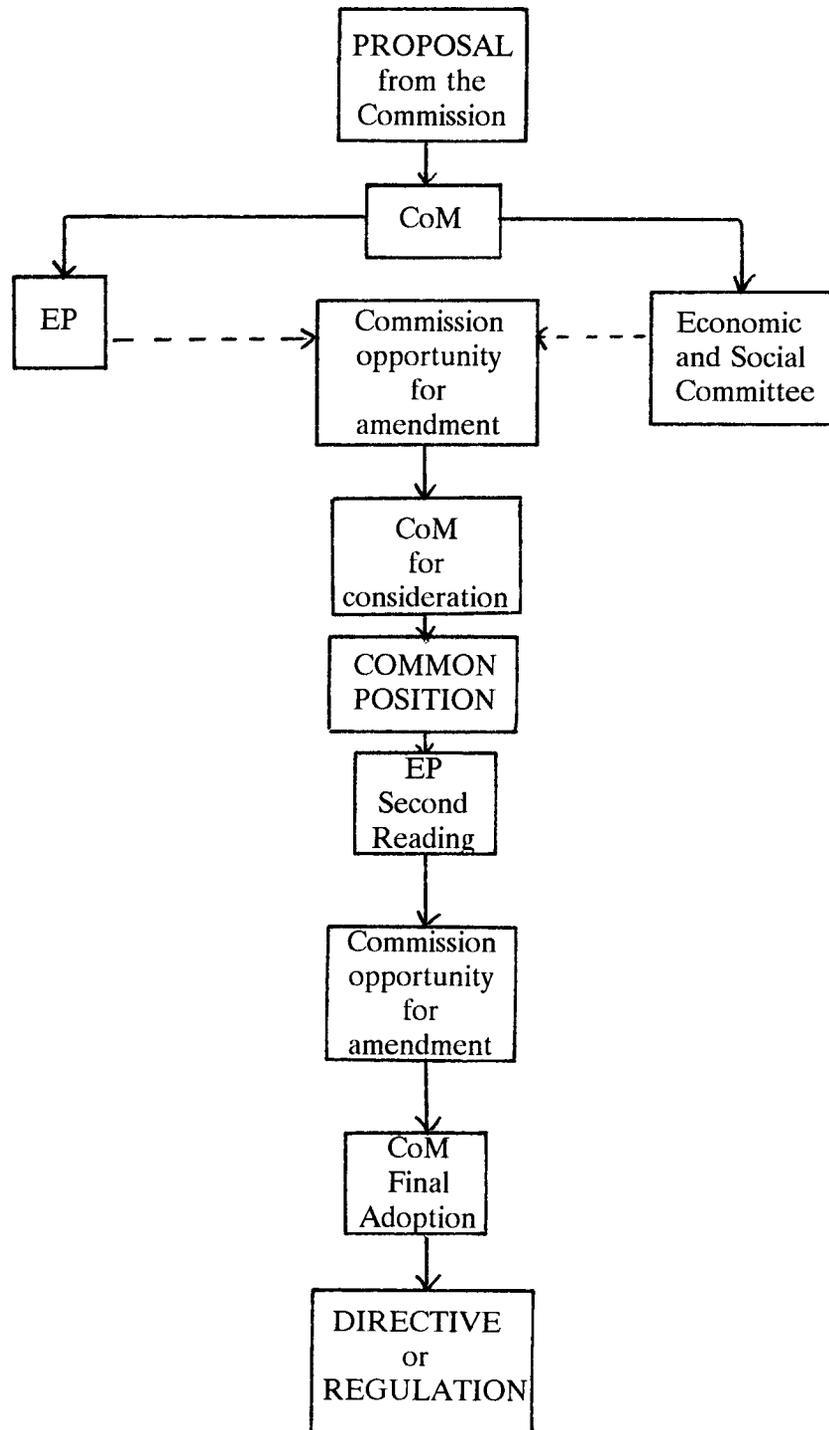
## THE CONSULTATION PROCEDURE



Source: Peter Ludlow, ed. The Annual Review of European Community Affairs 1990, p. XXII.

**Figure 2.3**

## THE CO-OPERATION PROCEDURE



Source: Peter Ludlow, ed. The Annual Review of European Community Affairs 1990, p. XXII.

the EP's first reading the Commission may issue a view on the EP opinion and may amend the proposal. Next, the CoM may adopt a 'common position' with a qualified majority.<sup>16</sup>

During its second reading, the EP may once again accept, reject, or amend a proposal. A rejection or amendment may be overruled by a unanimous vote in the CoM, and an amendment may be revised by the Commission. In order for the EP to have its amendments remain intact it must cooperate with the Commission, CoM, or at least one member-state. If the Commission opposes an EP amendment, it can only survive if the CoM accepts it unanimously. If the CoM opposes an EP amendment, it can only survive if the Commission and at least one member-state supports the amendment; the support of a member-state acts to prevent the unanimity that would allow the CoM to override the amendment. This latter strategy was used in the case of car exhaust emissions: the EP amendment for stricter standards survived because of support from the Commission and from Denmark.

By enhancing the powers of the EP, the Co-operation procedure represents a step towards narrowing the 'democratic deficit' of the EC. Nonetheless, the skilled maneuvering required by the EP to affect policy outcomes suggests that there is much room for improvement. The Commission supports 78% of EP amendments, of which the CoM accepts just over half. The result is that less than 50% of EP amendments remain intact in the final policy.<sup>17</sup>

The differences between the Consultation and Co-operation procedures place great importance on the mechanism that determines which procedure is used. In most cases, this is quite straightforward. Procedures are assigned to particular policy areas in the Treaties of Rome. Hence, whether a policy is to be determined entirely by the Commission, by the Consultation

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<sup>16</sup>This term is applied to the policy outcome agreed upon by the CoM.

<sup>17</sup>Juliet Lodge, The 1989 Elections of the European Parliament (London: Macmillan, 1990), p. 21.

procedure, or by the Co-operation procedure is determined by the "legal base of the issue."<sup>18</sup> For example, the SEA assigns environmental policy to the Co-operation procedure, so policies such as exhaust emissions standards are decided using this procedure. Trouble arises where a policy is perceived to touch upon more than one policy area, with each area prescribed to a different procedure. A theoretical example of such a conflict could concern negotiating fishing quotas with non-EC states, to preserve an endangered species. Trade agreements with outside states are constitutionally assigned to the Commission.<sup>19</sup> However, because the negotiations would deal with an environmental concern, the EP may argue that the policy should be decided using the Co-operation procedure. As Doran-Schiratti notes, the EP would argue its case before the ECJ, which has the power to resolve such a dispute.<sup>20</sup> Unfortunately, there is little information to be found on this significant aspect of the policy process. It would certainly provide a fruitful avenue for future research.

Each of the three policy cases to be analyzed went through the first stage of the process, but only two were required to go on to the second stage. Japanese car import restrictions policy was formed and concluded in the Commission. The other two were subject to different policy processes: policies regarding CAP reform were decided via the Consultation procedure and auto exhaust emissions standards were decided via the Co-operation procedure.

## IMPLEMENTATION

The EC has a poor record on ensuring implementation of its policies. The Commission handles the lion's share of implementation at the EC although the CoM may, according to the

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<sup>18</sup>Ibid, p. 11.

<sup>19</sup>Nugent, p. 240.

<sup>20</sup>Personal interview, Maeve Doran-Schiratti, DGI - External Relations, Commission, Brussels, June 6, 1991.

Treaties, reserve some implementation tasks for itself. The means by which a policy is implemented are dictated by the CoM. The main problem with implementation stems from the inability of the Commission, along with the support of the ECJ, to enforce EC policy. Garrett notes that:

"the sanctions at the disposal of the Commission and the ECJ to enforce their decisions are very limited. The Commission may only fine firms, not governments. ECJ decisions are purported to bind national governments, but since the EC is not a Euro-state, the ECJ has no real traditional coercive authority to enforce EC law on sovereign governments."<sup>21</sup>

Instead, the ECJ must hope that the "transparent and highly publicized" nature of transgressions will pressure member-states to defend their reputations as 'good European citizens'.<sup>22</sup>

Nowhere is this problem more evident than in the area of environmental policy. The EC has no inspectors of its own to police member-states so it must depend on complaints from concerned parties to uncover violations.<sup>23</sup> After reviewing a complaint, the Commission asks for an explanation from the offending member-state. If the response is unsatisfactory, it sends an official warning letter. Next, the Commission issues a "reasoned opinion that the government is in breach of EC law."<sup>24</sup> Finally, it may resort to take the offending member-state before the ECJ.

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<sup>21</sup>Geoffrey Garrett, "The European Internal Market: the political economy of regional integration," paper prepared for Ford Foundation Workshop on Multilateralism (Stanford: 1991), p. 27.

<sup>22</sup>Geoffrey Garrett and Barry Weingast, "National Autonomy, European Law and the Internal Market: Norms, Institutions, and European Integration," paper prepared for the SSRC Workshop on Ideas in Foreign Policy (Stanford: 1991), p. 30. Surprisingly, Garrett and Weingast make a case for the effectiveness of poor publicity in encouraging member-states to comply with EC law. There is a substantial body of evidence to the contrary.

<sup>23</sup>"The dirty dozen," The Economist, July 20, 1991, p. 52.

<sup>24</sup>Ibid.

The average time between the registration of a complaint and a ruling by the ECJ is 50 months.<sup>25</sup> Table 2.4 lists the outstanding cases by member-state.<sup>26</sup>

Implementation problems are not confined to environmental policy. France, Italy, and Spain showed considerable resistance when required to deregulate their financial markets.<sup>27</sup> Simon Carroll notes that policies that have no fixed monetary values to member-states are least likely to be implemented.<sup>28</sup>

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<sup>25</sup>Ibid.

<sup>26</sup>"The strain of Spain," The Economist, April 27, 1991, p. 54. Poorer nations such as Spain have accounted for their high violation rates on environmental policy by complaining that they can not afford to implement these policies. Spain requested that the EC set up a special fund to help poorer member-states meet EC standards.

<sup>27</sup>"Capital ideas for southern Europeans," The Economist, July 5, 1986, p. 65.

<sup>28</sup>Telephone interview, Simon Carroll, EC Lobbyist for Greenpeace, Brussels, September 11, 1991.

**Table 2.4**  
Breaches of Green Rules as of May 1991

	Warning Letters	Reasoned Opinions	Court Cases	Total
Spain	30	25	11	66
Italy	16	28	9	53
Greece	13	31	6	50
Belgium	3	17	10	30
Germany	1	18	11	30
France	9	13	6	28
Ireland	12	13	3	28
Portugal	8	15	1	24
Britain	12	9	2	23
Holland	5	15	2	22
Luxembourg	1	11	2	14
Denmark	2	2	0	4

Source: The Economist, July 20, 1991, p.52.

### 3. CAP REFORM

The CAP is one of the EC's most significant and most troublesome policies. It is significant because it helped the EC overcome one of the greatest barriers to unification, the opposition of farm interests, and because it addressed one of the EC's greatest concerns, "the desire to insure self-sufficiency in food."<sup>1</sup> The objectives and instruments of the CAP are found in the Treaty of Rome, a fact which underscores its function as a pillar of EC integration. The CAP's objectives are to increase agricultural productivity through technological progress, to ensure a fair standard of living for farmers, to stabilize markets, to ensure availability of food supplies, and to ensure reasonable prices for consumers.<sup>2</sup>

The troublesome aspect of the CAP arises from its inherent incentives for creating agricultural surplus and its enormous costs. One Commission insider described it as being "a victim of its own success."<sup>3</sup> Marsh and Swanney argue that the present system of price guarantees used in the CAP ensures a cycle of increasing costs: guaranteed prices lure more people into agricultural production, these people compete for constrained resources (ie. land) and push up resource costs, and the rising costs lead to demands for even higher guaranteed prices.<sup>4</sup>

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<sup>1</sup> James A. Brander, Government Policy Toward Business (Vancouver: Butterworth's, 1988), p. 132.

<sup>2</sup>Treaty of Rome, Article 39.

<sup>3</sup>Personal interview, Maeve Doran-Schiratti, DGI - External Relations, Commission, Brussels, June 6, 1991.

<sup>4</sup>John S. Marsh and Pamela J. Swanney, "The Common Agricultural Policy," in Institutions and Policies of the European Community, ed. Juliet Lodge (London: Pinter, 1983), p. 66.

In an effort to rid itself of some of this surplus it is "disposed of on the world market with the help of export subsidies."<sup>5</sup> As a result, world agricultural prices have fallen and many farmers in non-EC states are unable to make a living due to income reductions. Viewed in a global context, the costs of the CAP accrue to Europeans, as taxes and misallocated investment, and to the farmers and peoples in other developed and underdeveloped countries, as income lost to a distorted world price.<sup>6</sup>

The cost of the CAP to the US, in terms of lost export markets and the subsidies it must pay its own farmers, has prompted the US to call for agricultural subsidy reform. Although the issue of reforming the CAP is often portrayed as an EC-US standoff, the Cairns Group and a majority of Uruguay round participants are allied with the US in the call for reform.<sup>7</sup> The suspension of the Uruguay round of GATT negotiations, in December of 1990, can be attributed to EC reluctance to this call for reform. The reluctance to reform will provide the focus of this analysis.

There has also been pressure from within the EC to reform the CAP. Britain is a leading opponent of the CAP: it is the "only major food importer in the Community," and is required to make a disproportionately high contribution to the financing of the CAP.<sup>8</sup> The costs of the CAP

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<sup>5</sup>Anthony J. C. Kerr, The Common Market and How It Works (Oxford: Pergamon Press, 1986), p. 83.

<sup>6</sup> The irony of the EC serving as model market economy for Eastern Europe, while it continues to "keep out the only products they make competitively," has not gone unnoticed. "EC farm reform: Against the grain," The Economist, July 6, 1991, p. 46.

<sup>7</sup>The Cairns Group consists of: Argentina, Australia, Brazil, Canada, Chile, Columbia, Hungary, Indonesia, Malaysia, New Zealand, the Philippines, and Thailand. Anna Murphy and Peter Ludlow, "The Community's External Relations," found in The Annual Review of European Community Affairs 1990, ed. Peter Ludlow (London: Brassey's, 1991), p. 188.

<sup>8</sup>Kerr, p. 87. In this case disproportionate refers to the contribution to the CAP in regards to a nations agricultural output. British contributions to CAP were a major point of contention between Britain, France, and Germany in the early 1980's. Christopher Tugendhat, Making Sense of Europe

have continued to rise dramatically over the years; since 1980 they have tripled, from US\$8.3 billion to US\$25 billion estimated for 1991.<sup>9</sup> The total subsidy to EC farmers was US\$81 billion in 1991, which accounted for 48% of farm incomes.<sup>10</sup> Two other reasons for British support for reform are evident: the agricultural sector as employer (see Figure 3.2) is quite small in Britain, compared to Germany and France, and Britain's agricultural sector has a greater proportion of large producers, thus making it less vulnerable to reforms. Its opposition to a proposed CAP amendment that would favour small producers to larger ones is evidence of this latter point.<sup>11</sup>

France and Germany, on the other hand, are against reform of the CAP and this opposition is easy to trace. French farmers are the CAP's largest beneficiaries and its benefits were at the centre of the bargain struck between France and Germany to initiate the EC.<sup>12</sup> German opposition to reform is evident in its veto of a minor cereal price cut in 1985, and in its strong opposition to reform of monetary compensation amounts.<sup>13</sup> The federalist structure of Germany and the effectiveness of its agricultural lobby ensure that its national government accommodates the demands of German farmers.<sup>14</sup>

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(Middlesex: Viking Press, 1986), p. 69.

<sup>9</sup>"EC farm reform: Against the grain," The Economist, July 6, 1991, p. 49.

<sup>10</sup>"Agricultural subsidies: Sowing in tears," The Economist, August 10, 1991, p. 56.

<sup>11</sup>"EC farm reform: Against the grain," The Economist, July 6, 1991, p. 46.

<sup>12</sup>Tugendhat, p. 35, and Brander, p. 131.

<sup>13</sup>"Europe's farm subsidies: Milking the sacred cow," The Economist, December 2, 1989, p. 86. Germany was the last nation to implement this drastic measure before the veto was removed in the SEA. Monetary compensation amounts (MCAs) are designed to protect farmers from fluctuations in their domestic currency. MCAs cost European taxpayers \$750 million annually.

<sup>14</sup> The Christian Democrats are dependent on the rural vote and on their Bavarian allies, the Christian Social Union, to maintain power in the Bundesrat. The Christian Social Union is agriculturally based. Also, German farm interests, represented by the Deutscher Bauernverband, are promoted with a level of integrated strength unmatched in any other EC nation. General Secretariat,

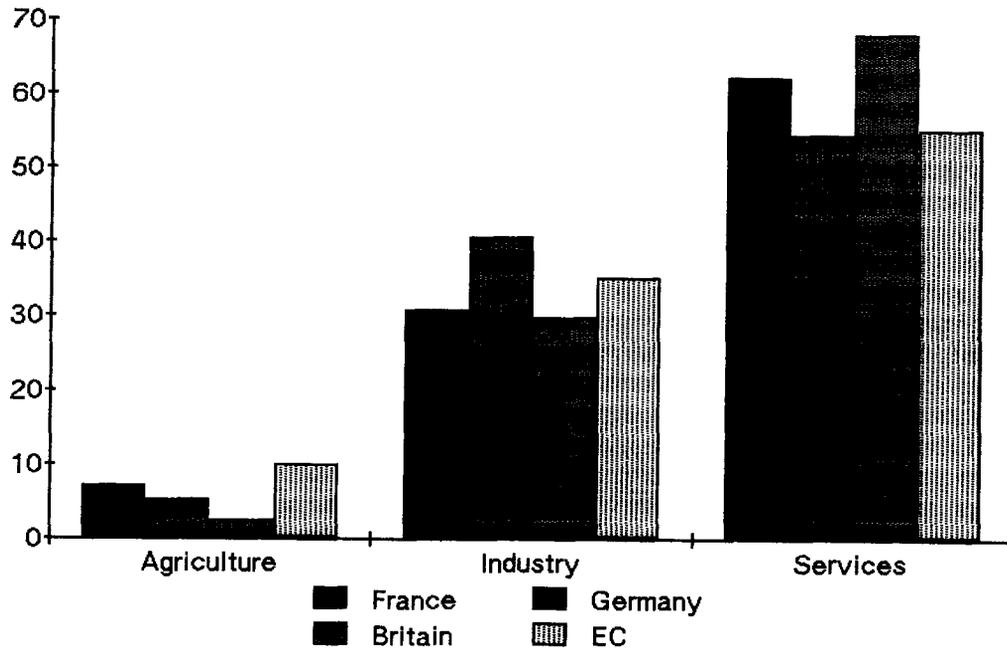
**Table 3.1**  
Domestic welfare effects of EC policy changes  
(1985 US\$ billions)

Annual net benefit to:	Total Librltn.	Partial Librltn.	Set asides w/ deficiency payments	Prodctn. quotas
Producers of:				
wheat	-4.9	-3.0	0.7	-0.2
coarse grains	-5.0	-0.8	0.4	-0.2
ruminant meats	-19.2	-2.2	4.6	0.3
non-ruminant meats	-7.0	0.1	0.6	0.1
dairy products	-14.9	-7.4	5.7	-1.3
sugar	-3.8	-3.1	1.5	-0.5
Tax-payers	6.6	4.5	-22.9	9.4
Consumers	62.4	17.2	-4.2	-3.4
Total	14.2	5.3	-13.6	4.2
Weighted policy objective function	-22.4	-5.6	-5.0	3.7

Welfare effects are estimated equivalent variations in income derived from a comparison of five simulated policy alternatives with a reference projection to 1987 in which all policy regimes are assumed unaltered since 1982.

Source: R. Tyers, "Policy Preferences and trade policy reforms," *European Economic Review*, 34(1990), p. 1416.

**Figure 3.2**  
% EMPLOYMENT BY SECTOR: FRANCE, GERMANY, THE UK, AND EC



Source: *OECD Economic Surveys*, (Paris: OECD Press, 1990).

The US negotiating team has isolated four main areas for reforming the CAP: they want all border measures to be converted into tariffs and then subsequently reduced; they want an end to export subsidies and restrictions; they want the elimination of all forms of support that distort trade; and they call for the harmonisation of sanitary and phytosanitary measures over time and on the basis of sound scientific evidence.<sup>15</sup> The Cairns Group echoed these demands and included a call for special measures to assist net food-importing developing countries.

The EC has called for the preservation of the basic mechanisms of the CAP.<sup>16</sup> Instead of heeding a return to freer markets, EC proposals emphasize altering the balance of trade by changing prices and support allowances. Recent reform proposals from the EC farm commissioner, Ray MacSherry, would cut prices guaranteed to farmers and compensate for these losses with direct grants. If these proposals pass the CoM -- this is unlikely, as it is anticipated that they will be watered down -- they still do not represent a substantial reform of the CAP. Rather than make a sizable cut in EC farm support, the proposals merely shift the burden of support "from rigged prices to the EC budget."<sup>17</sup> They are also expected to have little effect on the problem of overproduction, because "the new guaranteed prices will probably remain higher than the marginal cost of production for the most efficient farmers."<sup>18</sup>

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Economic and Social Committee of the European Communities, European Interest Groups and their Relationships with the Economic and Social Committee (Westmead: Saxon House, 1980), p. 202.

<sup>15</sup>Murphy and Ludlow, p. 177.

<sup>16</sup>These are the dual-price mechanism and the system of export subsidies and variable levies on imports which insulate it from the world market. Murphy and Ludlow, p. 176.

<sup>17</sup>"Agricultural subsidies: Sowing in tears," The Economist, August 10, 1991, p. 58.

<sup>18</sup>Ibid.

Tyers presents an insightful analysis of CAP policy reform options from a liberal economic perspective.<sup>19</sup> The four policy options he explores are: total liberalization, partial liberalization, set-asides with deficiency payments, and production quotas. Their welfare effects on producers, tax-payers, and consumers are calculated, as well as a net welfare sum. In order to account for political preferences of policy outcomes, a consideration that this paper will deal with shortly, Tyers introduces a weighted policy objective function. The results of this investigation (see Table 4.1) indicate that the use of production quotas best serves EC interests when economic and political objectives are taken into consideration. The significance of the Tyers study rests in his conclusion that both economic and political objectives may be satisfied by reforming the CAP.

The EC response to external and internal pressures for reforming the CAP has been minimal. Even if recent proposals survive CoM scrutiny they hold little promise for solving the problems that the CAP has created. The reluctance to substantial and effective reform of the CAP will form the focus of the analysis.

#### INSTITUTIONALIST EXPLANATIONS

Institutionalist analysis is somewhat contradictory on the issue of reforming the CAP. On one hand, the organization of the state, by focusing policy making power in the hands of those opposed to reform, and the bureaucracy of the state, which is threatened by reform, can be seen to influence the policy. On the other hand, the state's inability to resist strong interest group pressure from the farm lobby suggests that the state is lacking in autonomy and capacity. Skocpol states that, "Often [autonomous state] actions are considered more capable addressing the 'capitalist class interest' or 'society's general interest'...than are governmental decisions strongly

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<sup>19</sup>Rod Tyers, "Implicit Policy Preferences and the Assessment of Negotiable Trade Policy Reforms," found in the European Economic Review, Vol.34 1990, pp. 1399-1426.

influenced by the push and pull of demands from interest groups, voting blocs, or particular business enterprises."<sup>20</sup>

The institutional organization of the EC plays a significant role in the reluctance to reform the CAP because it places decision-making power in the institution clearly opposed to it, the Agricultural Council, and not in the institution that would promote it, the EP. The ministers that make up the Agricultural Council perceive policy outcomes in terms of how they affect their agricultural sectors. Considering that reforming the CAP will reduce the size of agricultural sectors in many member-states, reform would be perceived as a loss for agricultural ministers and their constituents. Furthermore, the institutional organization of the EC has fostered a group dynamic among agriculture ministers dealing with the CAP. Ludlow notes that the Agriculture Council has "seemed immune to influence from even the highest levels [of government]," and that this immunity stems from the cohesion that has developed over the course of their regular meetings.<sup>21</sup> The broadly based benefits of reforming the CAP --lower taxes and prices for consumers and the redirection of capital into more productive sectors -- are more visible and relevant to the EP. However, the EP's influence over reforming the CAP is minimal because CAP changes are decided upon by means of the Consultation procedure, which virtually excludes EP participation. If CAP issues were subject to the Co-operation procedure, the EP may have played a decisive role in promoting reform.

The Commission, like the EP, is also responsible for acting in the general interest of the EC, but two factors discourage it from promoting CAP reform. The first factor concerns the role

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<sup>20</sup>Theda Skocpol, "Bringing the State Back In: Strategies of Analysis in Current Research," in Peter Evans, et al, eds., Bringing the State Back In (Cambridge: Cambridge University Press, 1985), p. 14.

<sup>21</sup>Peter Ludlow, "Introduction," The Annual Review of European Community Affairs 1990, p. XVI.

of the CAP bureaucracy in defending itself against the threat of reform. The Directorate General for Agriculture (DG VI) is second only to Personnel and Administration (DG IX) in regards to the size of its staff. It includes eight Directorates and 91 divisions. Any substantial reform of the CAP would cut the size and influence of the Commission. In this light, bureaucratic self-preservation may form an important strand of the institutionalist explanation for the reluctance to reform the CAP. This is consistent with Skocpol's observation, based on a survey of the institutionalist literature, that "state actions will regularly take forms that attempt to reinforce the authority, political longevity, and social control of state organizations whose incumbents generated the relevant policies."<sup>22</sup> The second factor concerns the Commission's desire to preserve the policy that is central to "the basic compromise on which the community is based."<sup>23</sup> More than an institution of symbolic value, the CAP accounts for 58% of the EC's total budget and any attempt at reform may be seen as an attack on the EC itself.<sup>24</sup> Krasner provides a suitable summation of this aspect of the institutionalist explanation by noting that, "institutional changes are never easy to accomplish."<sup>25</sup>

#### PLURALIST EXPLANATIONS

Pluralist explanations for the reluctance to EC reform feature the role of interest groups in determining this outcome. Differences in the incentives and resources of competing groups are

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<sup>22</sup>Skocpol, p. 15.

<sup>23</sup>Tugendhat, p. 46.

<sup>24</sup>"EC farm reform: That's the way the money goes," The Economist, January 26, 1991, p. 45. The CAP share of the EC budget has been much higher (above 80%) in its earlier years, but it has experienced a substantial decline in the 1980s.

<sup>25</sup>Stephen Krasner, "Sovereignty: An Institutional Perspective," in Comparative Political Studies 21 No. 1 (1988) p. 67.

central to the logic of collective action as outlined by Mancur Olson.<sup>26</sup> The benefits of the CAP -- increased income to farmers -- are narrowly focused, while its costs -- higher prices and taxes for consumers -- are widely dispersed. The implication of this distribution is that farmers have a greater incentive to pursue their interests in the political arena than consumers because the benefits that accrue to them individually are greater than the benefits that would accrue to the individual consumer as a result of his or her political action.

The effect of incentive differences is evident in the different political resources that each group commands. Farmers' interests are promoted at the EC level by two closely related organizations: the Committee of Professional Agriculture Organizations in the European Communities (COPA) and the General Committee of Agricultural Co-Operation in the European Economic Community (COGECA). COPA, which represents professional agriculturalists, and COGECA, which represents the agricultural co-operative movement, operate out of the same office and have joint specialist committees and working parties. Both organizations have a "relatively high degree of integration," that is reflected in the "strength and authority which [they] exercise in dealing with the EC institutions."<sup>27</sup>

Furthermore, the agricultural lobby has more consultative committees than any other interest group. Nugent reports that there are 20 committees for products covered by the CAP, plus 10 general committees.<sup>28</sup> Many members of these committees are employees of COPA. Commission dependence on their knowledge and co-operation in implementing the CAP give

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<sup>26</sup>Mancur Olson, The Logic of Collective Action, (Cambridge: Oxford Press, 1965).

<sup>27</sup>General Secretariat, Economic and Social Committee of the European Communities, p. 199.

<sup>28</sup>Neil Nugent, Government and Politics in the European Community (Durham: Duke University Press, 1989), p. 68.

committee members and, hence, agricultural interest groups considerable influence over policy outcomes.

The political resources of the agricultural lobby and its success in thwarting CAP reform also applies to Andersen et al's notion of 'embeddedness'. This theory relates an interest group's lobbying activity to its degree of embeddedness: the extent to which an interest's "capital is tied to specific production structures and is not easily transferred to other sectors."<sup>29</sup> Andersen and Eliassen attribute the European agricultural sector's influence over the CAP to its high degree of embeddedness.

Consumer interests, as Olsonian logic would have predicted, have fewer resources at their command. The European Bureau of Consumers' Association (BEUC) was formed 15 years after its agricultural rival emerged and does not enjoy the same degree of integration.<sup>30</sup> The relative influence of consumer groups vis a vis agricultural groups is reflected in the struggle over farm price increases. In each year from 1974 to 1978 EC decisions on price increases exceeded Commission proposals by an average of about 1%.<sup>31</sup> By its own admission, the BEUC had not only been unsuccessful in having its demands reflected in these decisions but also in the initial Commission recommendations for farm prices. Had consumer groups outweighed agricultural group influence, then final price increases would have been lower than the Commissions recommendations.

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<sup>29</sup>Svein S. Anderson & Kjell A. Eliassen, "European Community Lobbying," European Journal of Political Research, 20 (1991), p. 182.

<sup>30</sup>General Secretariat, Economic and Social Committee of the European Communities, p. 356.

<sup>31</sup>Ibid, p. 421.

## MARXIST EXPLANTIONS

Structuralist Marxist theory does not apply well the reluctance to reform the CAP. The detrimental effects of the CAP to the general interests of capital are evident in Tyers' economic analysis described above. The billions of dollars spent on farm subsidies could be redirected, in the form of investment, to facilitate capital accumulation in other, more productive sectors. Furthermore, the CAP does not appear to serve any significant legitimating role for the capitalist system.

A causal effect can be observed as forcing the state to act in favour of farmers. This is particularly true of Germany, where the farm vote is an essential part of the Christian Democratic power base. But it would be wrong to conclude that this is some form of structural bias in favour of capital. To do this would require one to hold that the farmers who benefit from the CAP are representative of the capitalist class. This is clearly not the case. As noted above, the CAP discriminates against capital intensive, large farms and favours the small farmer.<sup>32</sup>

## LIBERAL ECONOMIC THEORY

The existence of some form of agricultural policy is not difficult to defend from a liberal economic perspective. The strongest defense is based on the danger of food import dependency. The oil crisis of the early 1970's provides a clear example of what dependence on foreign supply of crucial goods could lead to. However, the same defense cannot be made for the reluctance to reform the CAP. Enormous food surpluses indicate that EC agricultural production is substantially in excess of self-sufficiency and that a considerable amount of reform, with the purpose of reducing output, can be undertaken without compromising self-sufficiency.<sup>33</sup>

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<sup>32</sup>"EC farm reform: That's the way the money goes," *The Economist*, January 26, 1991, p. 45.

<sup>33</sup>At the end of 1983, EC production in excess of consumption was "15% for cereals, 19% for sugar, 27% for dairy products and 27% for wine." Tugendhat, p. 45. At the end of 1990 dairies surpluses were over 500,000 tonnes while 700,000 tonnes of unsold beef are in EC storage. "EC farm

Considering that reform does not preclude self-sufficiency, there is little else in liberal economic theory to explain EC reluctance. Some other explanations are worthy of only scant consideration. The desire to preserve the traditional way of life that farming represents need not be endangered by reform, unless massive over-production is a valued part of that tradition. There is also some concern about the cost of economic readjustment, particularly the threat of unemployment, that reform poses. However, the economic cost of providing agricultural employment far outweighs the costs of providing welfare compensation.<sup>34</sup> Governments that are normatively opposed to this alternative may be able to find cheaper and more productive sectors in which to create employment. The political costs of either alternative would be substantial and they help explain why liberal economic theory appears to have little influence over EC policy.

#### CONCLUSION

The reluctance to reform the CAP is best explained in pluralist and institutionalist terms. Obviously, the reluctance to reform represents a victory by a powerful interest group: farmers. True to pluralist theory -- as opposed to earlier group theory -- the government actors involved (ie. agricultural ministers) are acting for a specific interest and their stance does not fare well, as we have seen in the liberal economic analysis, for the 'general will'. However, the success of farm groups rests significantly on an institutionalist aspect of the policy process: that the issue of CAP reform is decided upon by agricultural ministers. Had finance ministers or the EC Commissioner for Competition played a greater role, the policy outcome may have been different. The notion that some form of bureaucratic self-preservation is at work also contributes to an institutionalist explanation of the policy outcome. Hopefully, the following cases will provide a clearer indication

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reform: That's the way the money goes," The Economist, January 26, 1991, p. 45.

<sup>34</sup>Bella Balassa & Constantine Michaelopoulos, "The Extent and Cost of Protection in Developed-Developing-Country Trade," in The New Protectionist Threat to World Welfare, ed. Dominick Salvatore (New York: North-Holland, 1987), p. 495.

of which theoretical explanation is best suited to EC policy outcomes.

## 4. CAR IMPORTS FROM JAPAN

The formation of a single automobile import policy is one of the major issues faced by the EC on the road to 1992. Presently, EC member-states have a broad range of import policies ranging from almost complete exclusion, in the case of Italy, to an open-door policy, in the cases of Denmark, Ireland and Greece. The effects of differing barriers on the domestic car markets of the EC's largest car-making nations are reflected in Figure 4.2.<sup>1</sup> At the centre of this issue is the threat that Japanese car-makers pose to their European competitors. The issue deals not only with barriers to trade, but also with state subsidies to car-makers. The significance of this policy area is evident in that many non-EC industrialists and government officials "consider the Commission's car policy a touchstone for the whole 1992 plan."<sup>2</sup>

The conflict that has arisen over car import restrictions boils down to the lack of competitiveness of the European car industry. While Japanese and American carmakers can build cars in less than 20 man-hours, the EC lags far behind requiring "an average of 37 man-hours to build a similar car."<sup>3</sup> The US market provides a good example of how European carmakers -- particularly those who are most protected at home -- have failed to stand up against Japanese competition: Fiat has entered and exited the US market on four different occasions; Renault backed out of the market four years ago; and Peugeot has just recently announced its departure

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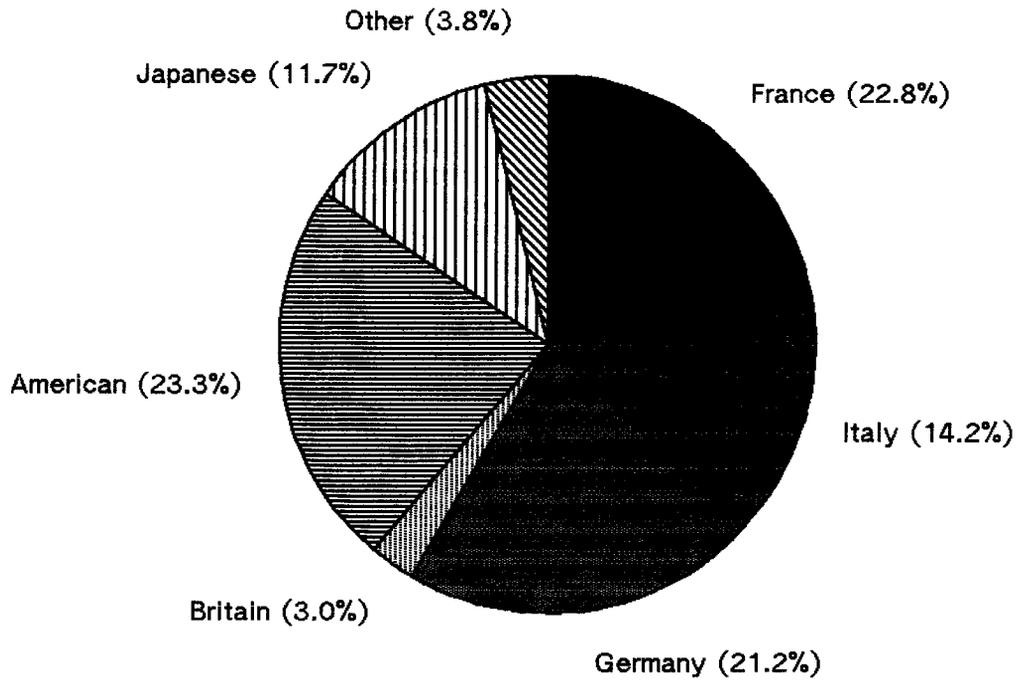
<sup>1</sup>The countries are positioned from most protectionist to least protectionist. Of the four, all but Germany employ voluntary trade restrictions to limit Japanese market share to 11% in Britain, 3% in France, and less than 1% in Italy. "For fortress, read trade laboratory," The Economist, July 8, 1989, p. S30.

<sup>2</sup>"European car imports: We'll tackle it soon, honest," The Economist, September 2, 1989, p. 69.

<sup>3</sup>"Ready, steady..." The Economist, September 23, 1989, p. 79.

**Figure 4.1**

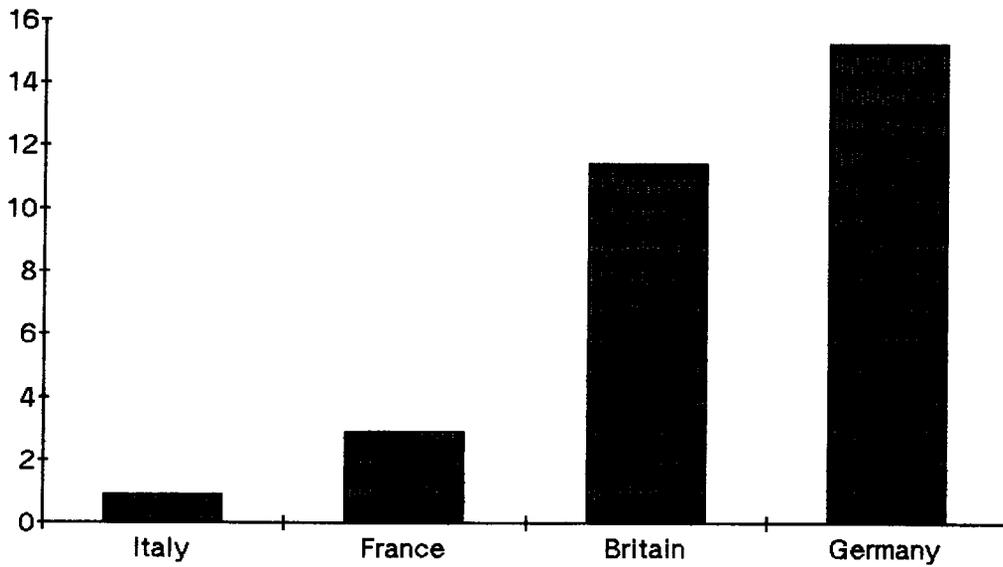
WESTERN EUROPE'S CAR MARKET: % SHARE OF SALES (\$) BY NATION



Source: The Economist, December 15, 1990, p. 74.

**Figure 4.2**

EUROPEAN CAR MARKETS: JAPANESE SHARE OF SALES (%)



Source: The Economist, July 8, 1989, p. S30.

from the US, effectively ending French participation in the North American car market.<sup>4</sup> According to Womack, Jones, and Roos, the key to the competitive advantage of Japanese carmakers resides in their development of the lean production process. They claim that car production has entered its third era, the 'lean production' era, and that European carmakers have yet to embrace this production method.<sup>5</sup>

The policy proposed by the Commission and submitted to the CoM, in December of 1989, was of a liberal nature in that it called for the removal of all quota restrictions by the end of 1992. It sought to replace the quotas with a voluntary monitoring mechanism, administered by the Japanese, to prevent Japanese market share from rising too rapidly.<sup>6</sup> Though the policy carried with it the threat of further protectionist measures, such as the perpetuation of 'transitional' voluntary export restrictions (VERs), it represented a commitment to and movement towards a more open EC car market.

The policy that emerged after "two and a half years of haggling among EC members," is an amended, more protectionist version of the initial proposal.<sup>7</sup> Where the original proposal allowed the Japanese share of the car market to increase to 18.7% by 1999, the new proposal limits it to 16%. A significant difference between the proposals is that the new proposal counts Japanese cars produced in Europe as imports and restricts their production, while the original

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<sup>4</sup>"Stalling Japan's car makers," The Economist, August 3, 1991, p. 65. It should be noted that Japanese and European imports to the US compete in the market segments: sub-compact, compact, medium, and sports cars.

<sup>5</sup>James Womack, Daniel Jones, & Daniel Roos, The Machine That Changed the World (Don Mills: Collier MacMillan, 1990), p. 11. This book is based on a major M.I.T. study of the future of the automobile. The first two eras of automobile production were the 'craft production' era and the 'mass production' era. Womack et al. point out that it took 50 years for European carmakers to convert from craft production to mass production.

<sup>6</sup>"EC car exports to Japan surge," European Trends, November 3, 1989, p. 27.

<sup>7</sup>"Stalling Japan's car makers," The Economist, August 3, 1991, p. 65.

proposal had placed no restrictions on these cars. The final policy ensures that direct imports will remain constant at around 1.2 million units, with market increases coming from Japanese owned factories (transplants) in the EC.<sup>8</sup> The policy also promises EC funding for automotive research and development. This promise contradicts earlier EC attempts to end state subsidies to the car industry.<sup>9</sup> The final policy represents a substantial about-face from the original proposal in that it replaces a stated commitment to open the European car market with more of the protectionism and cossetting that it had set out to remove.

Both Germany and Britain opposed the lower quotas of the final policy. The reasons for Germany's support of the policy reside in their competitiveness, the Germans are Europe's most competitive car-makers and are used to Japanese competition;<sup>10</sup> their lack of existing restrictions on Japanese imports; and their desire to protect their share -- about 50% -- of imports to Japan from Japanese reciprocation.<sup>11</sup> Britain, on the other hand, has little in the way of a 'national champion' left to defend and Japan already commands a significant share of the British market. Moreover, the inclusion of Japanese cars made in Europe as imports dealt a serious blow to

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<sup>8</sup>Ibid.

<sup>9</sup>"European state aid: Loaded down with lolly," The Economist, November 18, 1989, p. 85. The Commission had previously ordered the French government to revoke subsidies to state-owned carmaker, Renault. This prompted French Prime Minister Michel Rocard to do some 'arm twisting' at the Commission for a compromise.

<sup>10</sup>Competitiveness, in this paper, refers to the ability of a car-maker to produce a car cheaply, as compared to his rival. The amount of labour, in person-hours, that goes into each car and the economies of scale of a car-maker a chief determinants of this. For a brief comparison of regional competitiveness see, "Ready, steady..." The Economist, September 23, 1989, pp. 79-80.

<sup>11</sup>"Ec car exports to Japan surge," European Trends, November 3, 1989, p. 27. From 1984 to 1987, EC car exports to Japan tripled. Most of these are cars over 2,000cc. It will be interesting to see if Germany's commitment to free car markets persists as Japanese competition continues to erode its US market share. Lexus has been challenging Mercedes-Benz in the luxury car market, and Infiniti is outselling BMW after only one year in the market. "Europe's car exports to America: Quitters," The Economist, August 17, 1991, p. 62.

Britain, which is home to most of the Japanese transplant factories.<sup>12</sup> Britain's discontent with this aspect of the policy is evident in that it maintains, in contradiction to the policy, "that transplant production will not be limited in any way."<sup>13</sup>

France's opposition to the original proposal is unquestionable: it expressed "hostility to the...idea of removing all quota restrictions."<sup>14</sup> The compromises achieved during the policy process (ie. lower quotas and promises of subsidies) represent a victory, albeit a modest one, for the French government. These compromises also challenge the notion that Italy has little influence over EC policy. Italy's alliance with France in opposing the Commission's original proposal was crucial to the policy outcome.

#### INSTITUTIONALIST EXPLANATIONS

Bressand argues that the institutional organization of the EC reduces the capacity of interest groups to encourage protectionist policies in two main ways. First, a consensus for protectionism is more elusive due to the "greater diversity of interests in any given sector between the different countries."<sup>15</sup> For example, European carmakers enjoyed different levels of protection in different countries, hence those that were more used to competition -- Volkswagen, Mercedes, and BMW -- did not clamour for continued protection with the verve of those producers -- Fiat, Renault, and Peugeot -- that had been well protected. This point is supported

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<sup>12</sup>"Ready, steady..." The Economist, September 23, 1989, p. 10. Toyota, Nissan, and Honda hope to produce over 500,000 vehicles a year in Britain by 1995.

<sup>13</sup>"Stalling Japan's car makers," The Economist, August 3, 1991, p. 65. Britain's maintenance of this inaccurate interpretation threatens to kill the policy and, more importantly, could initiate a significant cleavage within the EC.

<sup>14</sup>"EC car exports to Japan surge," European Trends, November 3, 1989, p. 27.

<sup>15</sup>Albert Bressand, "Beyond interdependence: 1992 as a global challenge," in International Affairs 66, I (1990), p. 52-53.

by the stalemate that arose among carmakers as they tried to find a common stance.<sup>16</sup> Second, Bressand argues that EC integration has produced a greater openness which he refers to as an element of 'due process' in policy formation. Protectionism is "more easily implemented as an implicit, discretionary state of affairs," and its implementation is made more difficult by the existence of a discussion process, the scrutiny of the Commission, and an independent European Court.<sup>17</sup> Bressand overestimates the openness of EC policy processes, and the 'scrutiny of the Commission' is constrained because it requires member-state support on external trade matters. Nonetheless, the formation of car import policy was far from a 'discretionary state of affairs'. The attention and controversy surrounding the policy process led the Commission to delay the policy in hopes of suppressing this commotion.

Although Bressand's arguments are supported by some aspects of the formation of car import policy, the policy itself conflicts with his main assertion: that the organization of the EC reduces the capacity of interest groups to obtain protectionist policy. Instead, an institutionalist explanation for car import policy can be argued on opposite grounds: that the process used to form the policy was actually conducive to a protectionist outcome. Japanese car import restrictions were formulated and decided upon by the Commission and required the unofficial approval of member-state governments.<sup>18</sup> If the policy had been decided upon using the Co-operation procedure, a less protectionist outcome would have resulted. The increased role of the EP in this procedure would have allowed greater representation of European citizens, rather than

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<sup>16</sup>"Cars: New European Lobby Set Up With Nissan (UK) but Without Peugeot," European Report, February 25, 1991, p. 2.

<sup>17</sup>Bressand, p. 53.

<sup>18</sup>I use the term unofficial because there are no signatories to VERs. Because VERs are used to circumvent the GATT, government are reluctant to form and complete them in an official manner.

narrowly based sectoral interests. Furthermore, the EP could have counted on the alliance of the Commission, whose commitment to a more liberal policy is evident in its initial proposal, because it does not depend on member-state support in the Co-operation procedure.

#### PLURALIST EXPLANATIONS

The pluralist explanation can also be applied to the car import restrictions. Industrial interests, particularly car-makers, are the most powerful interest group in this policy area and are represented by the Roundtable of European Industrialists and by the Union of Industries of the European Community (UNICE).<sup>19</sup> The resistance of European carmakers to opening the European car market ranges from mild to extreme: Volkswagen -- one of Europe's better competitors -- accepts the eventual opening of the market but supports protection during a five year transitional period, while Fiat and Peugeot/Citroen -- two of Europe's most protected and inefficient carmakers -- are opposed to any opening of the market.<sup>20</sup> The Italian and French carmakers' opposition to an open market is due to their disproportionate dependence on national markets: Italy's Fiat sells two-thirds of its cars domestically, while France's Renault and Peugeot/Citroen depend on their home market for almost half of their sales.<sup>21</sup> If the assumption is made that Japanese imports will achieve the same market shares in France and Italy

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<sup>19</sup>Wayne Sandholtz & John Zysman, "1992: Recasting the European Bargain," in World Politics 42 (October 1989), p. 116.

<sup>20</sup>"Ready, steady..." The Economist, September 23, 1989, pp. 79-80. Volkswagen's support for transitional protection may be attributable to its ownership of SEAT, a Spanish car-maker that may not be able to weather Japanese competition as well as its parent.

<sup>21</sup>Ibid, p. 80.

as they do in unprotected Germany, then French and Italian car-makers can expect to lose between 5 and 10% of their domestic sales.<sup>22</sup>

At the beginning of the policy process, the Car industry had been represented by the Committee of Common Market Automobile Constructors (CCMC) and the Liason Committee on Automobile Manufacture (LCAM).<sup>23</sup> Since the Commission had introduced its proposal, however, both organizations had been "paralysed by a unanimous decision-making process."<sup>24</sup> Peugeot's managing director, Jaques Calvet, had resolved to veto any position that did not call for the outright banning of car imports from Japan. It appears that Calvet was calling the Commission's bluff: he was challenging the Commission's threat to allow unfettered access of Japanese cars to the European market in an attempt to significantly reduce the Japanese market share proposed by the Commission.

Europe's other carmakers apparently did not share Calvet's confidence in his ability to stare down the Commission. Martin Bangemann, the Commissioner for the Internal Market, publicly expressed his impatience with the stalemate over car import policy and reiterated his threat that without an agreement, the EC car market would simply be deregulated.<sup>25</sup> Shortly afterwards, the automobile industry formed a new association, the Association of European Automobile Constructors (AEAC), without Peugeot and with a decision making rule requiring a

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<sup>22</sup>This is a conservative estimate arrived at by multiplying the sum of unprotected and protected market shares by the share of domestic producers. It is conservative because protection has rendered Fiat, Renault, and Peugeot/Citroen less competitive than German national car-makers such as Volkswagen. Ibid, p. 79.

<sup>23</sup>The Liason Committee on Automobile Manufacture ensures links between motor industry manufacturers' or employers' organizations in the member states. "Cars: EEC Type Approval Plan Inches Forward in EEC Council," European Report, February 28, 1991, p. 18.

<sup>24</sup>"Cars: New European Lobby Set Up With Nissan (UK) but Without Peugeot," European Report, February 25, 1991, p. 2.

<sup>25</sup>"Cars: Bangemann Cracks the Whip," European Report, February 15, 1991, p. 10.

three-quarter majority. In March it called for a seven year, 15% import limit on Japanese car imports to commence in January of 1993.<sup>26</sup>

This episode suggests that, despite its inability to dictate the terms of the policy, the car industry played a significant role in the outcome of the policy. Egenhoffer supports this view by stating that the Commission would not finalize this policy until the industry position had been settled.<sup>27</sup>

As for other relevant interest groups, I encountered no evidence of consumer activity on the issue of import restrictions. Labour, allied with carmakers on this issue, had some input into the AEAC position through its role in the LCAM. It is anticipated that labour will become much more active as the profound affects of this policy become apparent.

#### MARXIST EXPLANATIONS

The struggle over imports of Japanese cars can be seen as a struggle between particular capital interests and the general interest of capital. Carmakers, especially the less competitive ones, fought to protect their privileged position in European car markets. They fought against the principles of the 1992 project -- the benefits of open markets and economies of scale -- which can be described as serving the general interest of capital. This policy outcome provides an effective illustration of the contrast between instrumentalism and structuralism. An instrumentalist would emphasize the state's attempts to protect the particular interests of carmakers. A structuralist, on the other hand, would argue that the state's attempts to open car markets to foreign competition reflect the state's desire to ensure long term capital accumulation by instigating the rationalization of an inefficient industry. Ultimately, the structuralist

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<sup>26</sup>"Cars: Commissioners to Take a Stand on March 14," European Report, March 12, 1991, p. 12.

<sup>27</sup>Personal interview, Christian Egenhoffer, Research Coordinator at the Centre for European Policy Studies, June 24, 1991, Brussels.

explanation is more fruitful. The final policy does represent a movement away from a more protectionist status quo, so the particular interests of carmakers were compromised. A structuralist interpretation, noted for its causal mechanism that ties electoral success to the promotion of business, is consistent with the view that this policy reflects the attempts of European politicians to address the economic fears of voters.

Marxist analysis of this policy outcome is also helped by considering the policy's effects on the working class. The inefficiency, measured in person-hours required per car, of European carmakers was a persistent theme of the policy debate. The fact that increasing the efficiency of European carmakers is a main goal of the policy underscores the EC prioritizing profit over jobs. Increases in efficiency, by definition, mean fewer jobs. From the Marxist perspective, the emphasis on profitability over jobs reaffirms the belief that the state acts in the interest of capital.

#### LIBERAL ECONOMIC THEORY

The existence of import restrictions for cars is difficult to defend on liberal economic grounds. The issue of strategic importance that provides a defense of agricultural subsidies does not apply here.<sup>28</sup> Governments have pursued restrictive policies in an effort to breed 'national champions,' but a policy that imposes economic costs (eg. higher prices & poorly allocated capital) on the basis of pride panders to the electorate's vanity while risking the long-term economic health of Europe.<sup>29</sup>

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<sup>28</sup>It is important to note that this discussion limits itself to dealing with the production of passenger cars. A strategic argument could be made on the basis of military vehicle production but this paper assumes a clear distinction between the two.

<sup>29</sup>For persuasive examples of the 'national champion' trap, see Zysman's account of the "enormous wastes of money and deeply damaging misdirections of industrial effort," that occurred under Charles de Gaulle. John Zysman, Governments, Markets, and Growth (Ithaca: Cornell University Press, 1983), p. 147.

The liberal economic argument against the transitional protection provided by the policy is well supported. The use of VERs by the US against Japan in the 1980's provides an opportunity to assess the costs and benefits of this protectionist measure. Studies of the case point to cost increases for consumers, increased short term profits for domestic and foreign car-makers, and structural changes in the market.<sup>30</sup> The most significant structural change was the upward movement of Japanese car-makers towards larger and more expensive luxury models. Because VERs were specified on a per-unit basis, they created an incentive to produce higher value-added cars. In effect, VERs that were intended to thwart competition in the small car market encouraged foreign incursions into other, more lucrative segments of the market.

Another liberal economic argument against VERs concerns the role of competition as a catalyst for change in the carmaking industry. Womack et al claim that the 'crisis' faced by inefficient producers unsheltered from intense competition is required to prompt a change in production techniques and the reorganization of corporate thinking that is a prerequisite for this change. They point to the crises faced by Mazda in 1974 and Ford in the early 1980's that caused these producers to embrace lean production.<sup>31</sup>

Some may argue that import restrictions are justified on the grounds that Japanese carmakers compete unfairly. This argument posits that the Japanese competitive advantage is based on factors, such as low worker wages or longer working hours, that would be impossible or undesirable to adopt in Europe. This is clearly not the case. Evidence to the contrary exists in

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<sup>30</sup>Dominick Salvatore, introduction to The New Protectionist Threat to World Welfare (New York: North Holland, 1987), p. 5. Gilpin, The Political Economy of International Relations, pp. 207-208. See also, Robert C. Feenstra, "Automobile Prices and Protection: The US-Japan Trade Restraint," and Bella Balassa & Constantine Michaelopoulos, "The Extent and Cost of Protection in Developed-Developing-Country Trade," both in The New Protectionist Threat to World Welfare.

<sup>31</sup>Womack et al. p. 237.

the productivity and quality gains that have been achieved in Japanese transplant factories in the US, with American workers and wages. The argument also fails to explain how Japanese carmakers continued to prosper and advance despite "currency shifts and a massive movement of operations offshore."<sup>32</sup>

## CONCLUSION

Pluralist theory can be applied somewhat successfully to car import policy. The dominant group, carmakers, did manage to affect policy but they were not able to dictate it. This outcome begs the question: what other groups participated in this struggle? Consumer groups appear to have been inactive and there are reasons, such as the popularity of 'national champion' carmakers, why action against quotas may have been unpopular. Rather than struggle against a given group, carmakers seemed to be fighting an underlying principle of the 1992 project: that competition is good for European industry. The attempt to open the European car market could be considered an example of the government acting in the general interest of the EC or, as the structuralist Marxist analysis shows, in the interest of capital. In this light the state is hardly arbitrating group struggle, it is actively promoting a principle that has as its goal the long-term accumulation of capital.

The strength of an institutionalist explanation of this policy resides in the significance of the process used to determine its outcome. Had the process been less closed and discretionary, the outcome may have been less protectionist. There are, however, two weaknesses to this argument. First, the popular appeal of protecting 'national champions' might have mitigated the anti-protectionist effect of opening the process. Second, even if external treaties were decided by means of a more open procedure, there is reason to believe that the EC would not have followed such a procedure in this case. As mentioned earlier, VERs circumvent the GATT and to pursue

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<sup>32</sup>Ibid, p. 236.

them in an official manner would be to openly undermine GATT principles.

## 5. EXHAUST EMISSIONS STANDARDS

EC action on environmental issues dates back to 1973 with the CoM's adoption of the first EC environmental program. The program acknowledged the importance of approaching environmental problems, which are often transnational, at the supranational level. EC action on the environment increased and became more effective with the SEA. The Act strengthened the role of the EC by dictating that the Commission "take as a base a high level of protection," in environmental policy.<sup>1</sup> EC environmental policy was also aided by the ruling of the ECJ, in 1988, that environmental protection may take priority over trade under EC treaties.<sup>2</sup>

The car exhaust emissions standards for small cars -- those with an engine capacity less than 1400cc -- agreed upon by the CoM in March 1991, will provide the third case for analysis. The initial Commission proposal matched US standards of 20g per test of carbon monoxide and 5g per test for hydrocarbons and nitrous oxides combined.<sup>3</sup> Car-producing countries rejected these standards as too strict. The standards required the installation of a three-way catalytic convertor, a task which would add to the cost of producing a car and inconvenience carmakers who would have to add the devices.

At the CoM, car producing countries rejected the US standards and adopted a Common Position of 30g and 8g per test.<sup>4</sup> During its second reading, the EP amended this position and

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<sup>1</sup>SEA, Article 18.3. The SEA also introduces a 'polluter should pay' principle to EC policy.

<sup>2</sup>David Vogel, "Environmental Policy in Europe and Japan," in Environmental Policy in the 1990's (Washington: C. Q. Press, 1990), p. 273.

<sup>3</sup>Caroline Bartle, "Environmental Policy," in The Annual Review of European Community Affairs 1990, ed. Peter Ludlow (London: Brasseys, 1991), p. 154. I refer here to the US emissions standards in effect prior to the Clean Air Act of 1990.

<sup>4</sup>Ibid, p. 154.

insisted on standards "at least as strict as those of the US."<sup>5</sup> The Commission supported the EP stance and produced a revised proposal that matched US emissions standards.

In order to restore the less stringent standards that it favoured, the CoM required unanimity. As mentioned earlier, the Co-operation procedure requires CoM unanimity to overrule a policy amendment that is supported by the EP and Commission. However, Denmark made it clear that it would not vote for less stringent standards. Council ministers in favour of less stringent standards realized their inevitable defeat and accepted the more stringent standards.<sup>6</sup>

The French and British governments clearly opposed the stringent emissions standards of this policy, while the German government appeared to be undecided on the issue.<sup>7</sup> French opposition to stringent standards can be traced to its carmakers: Renault and Citroen/Peugeot preferred weaker emissions standards that did not necessitate the installation of catalytic converters. British opposition to stringent standards is more difficult to explain. Carroll notes that Britain has displayed a "reluctance to introduce strict standards," in other environmental policy areas as well.<sup>8</sup> He cites the high costs of retooling Britain's aging manufacturing plants as a possible explanation for British opposition to strict emissions standards. German indecision on the matter can be attributed to a stronger domestic environmental movement and less pressure from German carmakers to oppose the standards.<sup>9</sup> German carmakers are more prepared to

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<sup>5</sup>Ibid, p. 155.

<sup>6</sup>Ibid, p. 155.

<sup>7</sup>Telephone Interview, Simon Carroll, Lobbyist for Greenpeace, Brussels, September 11, 1991.

<sup>8</sup>Ibid.

<sup>9</sup>Derek Urwin, "The Wearing of the Green: issues movements and parties," in Politics in Western Europe Today, eds. D. W. Urwin and W. E. Paterson (London: Longman, 1990), p. 124.

meet the standards because most German car models are also produced for export to the US, so the manufacturing facilities required for meeting US standards already exist. Also, German cars are, on average, more expensive so the additional cost of a catalytic converter represents a smaller proportion of the overall cost of the car and would reduce sales less than would be the case in a lower priced car.

#### INSTITUTIONALIST EXPLANATIONS

Automobile emissions standards provides the strongest case for an institutionalist explanation of EC policy outcomes for several reasons. The first and most important reason regards the rules of the decision-making procedure used in this case. The unanimity required of the CoM to overrule a proposal supported by the EP and Commission is the key to this policy outcome. Had unanimity not been required the CoM would have ensured passage of the less stringent standards. This would have been the case if this policy had been decided with the Consultation procedure. The institutional arrangement of the Co-operation procedure allowed Denmark's policy preferences to take precedence over those of France and Britain. Moreover, the institutional arrangement tilted the policy process towards the public good and away from special interest pressure. March and Olsen recognize the ability of institutional arrangements to "transcend special interests."<sup>10</sup>

The other two elements of the institutionalist explanation emphasize the position of the Commission and EP on this policy. It can be argued that the Commission's insistence on achieving standards equivalent to the US reflect a concern for EC prestige on the international stage. This argument is consistent with one of the earlier motives for European integration: to free Europe from postwar domination by the US. Hence, US equivalent standards are a point of

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<sup>10</sup>James March and Johan Olsen, "Popular Sovereignty and the Search for Appropriate Institutions," *Journal of Public Policy* 6 No. 4 (1986) p. 362.

pride for Commissioners. The question of why the Commission did not press for higher standards, as an expression of international leap-frogging, can be answered in pluralist terms: carmakers desired equivalency on as broad a base as possible in order to minimize variation in car production for different markets.

EP support of more stringent standards is also consistent with an institutionalist explanation of the policy outcome. The EP has relentlessly striven to enhance its powers vis-a-vis the other EC institutions. The EC is still in a formative stage -- witness the conferences on European union held during 1991 -- and the balance of power between its three main institutions is subject to change. Part of the EP strategy is to play a very active role in policy-making wherever it has the opportunity to do so. Its decision to "infer for itself a right of legislative initiative," is an earlier example of the EP's efforts to expand its legislative role.<sup>11</sup> EP influence over emissions standards stems from the changes introduced by the SEA. Lodge notes that the EP has been intent upon showing that it could use its new legislative power "effectively and responsibly."<sup>12</sup> The presence of "growing public pressure for tougher environmental standards," provided further incentive for the EP to act.<sup>13</sup> Hence, the outcome of emissions standards policy can be partially explained in terms of the EP's desire to test and expand its legislative power. Significantly, this is the only one of the three cases where the EP has a substantial, constitutionally enshrined role in the policy process.

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<sup>11</sup>Juliet Lodge, The 1989 Elections of the European Parliament (London: Macmillan, 1990), p. 12.

<sup>12</sup>Ibid, p. 17. The EP's intent to do this is evident in the intensity of its legislative activity: it either rejects or amends just under 50% of Common Positions during the EP's second reading. Ibid, p. 21.

<sup>13</sup>Bartle, p. 154.

## PLURALIST EXPLANATIONS

Two main interest groups -- environmental groups and carmakers -- will be examined to assess the pluralist explanation for emissions standards policy. At first glance it is tempting to claim the passage of the more stringent emissions standards as a victory for environmental groups, but this is not the case. Though environmental interest groups have helped foster the environmental consciousness that has led to EC environmental policy, emissions standards policy cannot be explained in terms of environmental group pressure. Two main reasons account for this: environmental groups were not very active on this issue at the EC level and, more importantly, they hold little influence over EC policy. Simon Carroll notes that there was little pressure exerted by environmental groups in Brussels and that most lobbying activity took place at the national level.<sup>14</sup> An argument for the influence of national-level environmental groups on EC policy is undermined by the position of the CoM: this representative of national governments was the only institution to oppose the stringent standards.

Environmental interest groups exert little influence over EC policy for three main reasons: the attitude of the Commission towards environmental groups, the lack of information available during the policy process, and the heterogeneous nature of environmental groups. Carroll sums up the attitude of the Commission by stating that it views environmental groups as a "barrier to decision-making rather than an active participant" and that this stems from the Commission's failure to accept "that environmental organizations can provide useful information into the development of a piece of legislation."<sup>15</sup> This view corresponds with Doran-Schiratti's

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<sup>14</sup>Telephone Interview, Simon Carroll, September 11, 1991. Carroll's organization, Greenpeace, was inactive on the issue because it views the emissions based approach of the EC to the problem of car exhaust emissions inadequate. According to Carroll, policy efforts should be directed toward reducing automobile use.

<sup>15</sup>Ibid.

observation that the influence of an interest group depends on whether or not the Commission views the information supplied by the group as being useful.<sup>16</sup>

The lack of environmental group influence over EC policy is also due to the lack of information available to them during the process. Carroll notes that environmental groups are isolated from discussions and policy formation. Hence, groups are left to comment on policies after they have become Common Positions, which are essentially 'faites accompli'. Carroll claims that this places environmental groups in a "confrontational position with the Commission."<sup>17</sup>

Another reason for the weakness of environmental groups at the EC level is their heterogeneity.<sup>18</sup> According to Urwin, European environmental groups differ from each other "in terms of their ideological perspectives, policy objectives, and strategies."<sup>19</sup> The importance of homogeneity to the success of an interest group is recognized by Olson.<sup>20</sup> Although he focuses on a group composed of heterogeneous individuals, the same logic can be applied to the European Environmental Bureau (EEB), a group composed of environmental interest groups. As Olsonian logic predicts, the problem of achieving consensus in a heterogeneous group have plagued the EEB and have contributed to its ineffectiveness.<sup>21</sup>

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<sup>16</sup>Personal Interview, Maeve Doran-Schiratti, DGI - External Relations, Commission, Brussels June 6, 1991.

<sup>17</sup>Telephone Interview, Simon Carroll.

<sup>18</sup>Svein S. Anderson and Kjell A. Eliassen, "European Community Lobbying," European Journal of Political Research, 20 (1991), p. 184. They add that many of the environmental movement's political perspectives "are outside traditional party politics."

<sup>19</sup>Urwin, p. 121.

<sup>20</sup>Mancur Olson, The Rise and Decline of Nations (New Haven: Yale University Press, 1982), p. 24.

<sup>21</sup>Telephone Interview, Simon Carroll.

Carmakers, on the other hand, were opposed to the stringent emissions standards proposed by the Commission but were unable to obtain the less stringent standards that they desired. Concerned about the cost of catalytic converters required for the standards, they were behind the CoM's call for less stringent standards. That carmakers were the agents of the CoM position is obvious in that member-states had no motive to reject the stringent standards: the costs of installing converters are shared by carmakers and consumers, not governments; moreover, the burden of testing is not substantial because tests are only required for each vehicle type, not every new car, and after the car has been driven 80 000kms.<sup>22</sup> Although carmakers demonstrated their ability to affect the position of member-states and the CoM, they were unable to affect the policy outcome.

Pluralist analysis of emissions standards is affected by the definition of group that we employ. If the 'group' is defined as environmental lobbying groups or carmakers, as we have seen above, then pluralist explanations do not apply to this case. But if we broaden the definition of 'groups' to include social movements, new possibilities emerge. Garson notes the failure of early group theories of politics, specifically that of Bently, to encompass such movements.<sup>23</sup> If we do encompass social movements into pluralist theory, then we can explain the stringent emissions standards in terms of the environmental movement that grew in Europe during the 1980's.<sup>24</sup>

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<sup>22</sup>The Council, Common Position 4102/91, p. 10. The cost burden of these tests could be made up through a testing fee, as is common in North America.

<sup>23</sup>G. David Garson, Group Theories of Politics (London: Sage Publications, 1978), p. 30. Garson explains that the study of social movements "fell to the departments of sociology and social psychology."

<sup>24</sup>A public opinion survey conducted in 1988 found that 74% of Europeans polled considered protection of the environment "an urgent and immediate problem." Commission, The European Community and environmental protection, (Luxembourg: EC Official Publications, 1990), p. 2.

However, this explanation blurs the distinction between pluralism and public opinion.<sup>25</sup>

Moreover, it comes dangerously close to portraying the government as acting in the general will of the people.<sup>26</sup> This would contradict a central criterion of pluralism stated above: that no one actor represents general will of the people.

#### MARXIST EXPLANATIONS

Emissions standards do not apply well to Marxist theory if measured by the criterion of facilitating capital accumulation. Although they add to the value of a car, the catalytic converters required to meet the standards do not generate much profit for carmakers. Patent rights for catalytic converters are held by General Motors of America, and the precious metals that account for much of the cost of converters are imported from outside of Europe.<sup>27</sup> The opposition of carmakers to stringent emissions is a clear indication of the lack of profit to be made from requiring catalytic converters.

A stronger argument for a Marxist explanation of emissions standards is based on the criterion of legitimizing the capitalist system. The effect of pollution and other environmental problems on public opinion was well displayed during the 1980's. A Marxist explanation of emissions standards could emphasize the importance of placating public unrest.

From the Marxist perspective, it is significant that the state has approached the problem of car exhaust pollution by regulating emissions. An alternative approach, one favoured by

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<sup>25</sup>Garson, p. 28. This is not a new dilemma. The distinction between interest groups and public opinion dates back to the early days of group theory.

<sup>26</sup>Public concern for the environment does not, however, equate popular support for car emissions standards. The catalytic converters required to meet the new standards will increase the price of a new car by US\$300, reduce engine power by one to two per cent and increase fuel consumption by two to three per cent. State Secretary of the Environment, Belgium, "Weet waarom u nu al voor de katalysator kiest" (Brussels: Belgian Information Bureau, 1991), p. 2.

<sup>27</sup>James Womack, Daniel Jones and Daniel Roos, The Machine That Changed the World (Don Mills: Collier MacMillan, 1990), p. 157.

Greenpeace, would be to reduce air pollution by reducing car usage. Marxists could argue that the reluctance to pursue this alternative solution is evidence of the state protecting capital interests rather than the health of the working class.

#### LIBERAL ECONOMIC THEORY

Liberal economic explanations for car emissions standards pose a different challenge. Economists have only recently started trying to include natural resources in national accounts.<sup>28</sup> Some resources (egs. timber, oil, and soil) are possible to attach approximate monetary values to. The value of clean air, however, is practically impossible to assess in monetary terms. Nonetheless, the benefits of emissions standards are easy to identify: lower health care costs due to reduced incidence of lung disease; less destruction of timber stocks and Europe's "architectural heritage" due to acid rain.<sup>29</sup>

The role of economic factors in EC environmental policy is spelled out in the Treaties. Article 130r.3 states that the EC should take account of the "potential benefits and costs of action," and that the polluter should pay the costs. The emissions standards are consistent with these principles, especially the latter. The 'polluter pays' principle ensures that governments will have to shoulder a very minor part of the cost burden. Given this, it is difficult to explain government opposition to the standards on liberal economic grounds. Although liberal economic considerations are of some value in explaining emissions standards policy, they fail to provide much insight into the policy process or its outcome.

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<sup>28</sup>For an account of attempts to include natural resources in national economic accounts see, "Getting physical," The Economist, August 26, 1989, p. 53.

<sup>29</sup>The Commission, "Pollution Knows No Frontiers," (Brussels: Official Publications, 1991), p. 1.

## CONCLUSION

Car exhaust emissions policy is best explained in institutionalist terms, particularly the variant of statism that emphasizes the institutional organization of the state. This policy is the only case in which the EP had a significant, constitutionally entrenched role. In the cases of CAP reform, which was decided via the Consultation procedure, and Car import policy, which was decided by the Commission with some input from the COM, the EP had no legal and, hence, no practical influence over the policies. Had exhaust emissions policy been decided without EP participation, the outcome would almost certainly have been different. The unanimity required of the CoM to overrule the EP and Commission is another important aspect of the institutionalist explanation. Had the CoM only required a qualified majority to overrule the EP and Commission, a less stringent policy would have emerged. Simply stated, the rules of the policy process matter.

As we have seen, other theoretical explanations do not apply very well to this case. A pluralist explanation suffers from the inaction of environmental groups on this issue and from the state apparently acting in the general will of the public. Marxist theory applies only loosely to the case: the policy does not facilitate the continued accumulation of capital in all but the most indirect manner. Although emissions standards could be explained as an attempt to legitimize the capitalist system, this would fail to explain why the state did not settle for lower standards. Lower standards, a significant improvement over the status quo nonetheless, would have fulfilled a legitimating role without adversely affecting capital interests in the way that the present policy does.

## CONCLUSION

Institutionalist explanations for policy outcomes are well supported by the cases. Car exhaust emissions standards provide the best evidence of this: had the Co-operation procedure not been used to decide this policy or had unanimity not been required of the CoM to override the EP and Commission, the standards would have certainly been less stringent. The distribution of power between the Commission, EP, and CoM is central to institutionalist explanations of EC policy outcomes. Where decision making power is focused in the CoM -- the Consultation procedure -- the preferences of member-states are bound to dominate (eg. CAP reform). Where decision making power is focused in the Commission -- as is the case with external Treaties, and policies of an administrative or technical nature -- a duty to act in the general interest of the EC is blended with a concern for institutional self-preservation and growth (eg. car import policy). And in the only procedure where decision making power is shared with the EP -- the Co-operation procedure -- member-state preferences, pan-European concerns, and EP efforts to expand its legislative power jockey for policy influence (eg. emissions standards). These conclusions reflect the tension between two competing visions of the EC: the EC as supranational state, embodied by the Commission and EP, and the EC as a loose federation of sovereign states, incorporated by the CoM. Until its fate is decided, the policy processes of the EC will continue to reflect the uncertainty of an institutional organization in its formative stages.

These explanations are rooted in what Skocpol refers to as the second broad orientation of institutionalist literature.<sup>1</sup> Instead of asserting state influence as a result of the autonomy and capacity of the state, this literature emphasizes the consequences of organizational configurations. The preceding analysis has confined itself to viewing the impact of these configurations on specific

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<sup>1</sup>Theda Skocpol, "Bringing the State Back In," in Peter Evans, et al, eds., Bringing the State Back In (Cambridge: Cambridge University Press, 1985), p. 8.

**Table 6.1**  
SUMMARY OF RESULTS

	CAP REFORM	CAR IMPORTS	CAR EMISSIONS
INSTITUTIONALIST	YES	YES	YES
PLURALIST	YES	YES	NO
MARXIST	NO	YES	NO
LIBERAL ECONOMIC THEORY	NO	NO	N/A

policy outcomes and, to a lesser degree, on interest groups. The challenge remains to examine how the institutional organization of the EC affects the "formation of groups and the political capacities, ideas, and demands of various sectors of society."<sup>2</sup>

Pluralist explanations for policy outcomes are also supported by the cases, though somewhat less than institutionalist explanations. The EC is consistent with two key features of pluralist theory: the state as one of many associations, rather than a singular sovereign entity; and the state as "numerous groups of officials in competition and conflict with each other."<sup>3</sup> Furthermore, the view that policy outcomes reflect the resource-weighted preferences of interest groups is also evident. Agricultural and carmaker interests both possess considerable political resources and are very well represented in the EC. The benefits of their lobbying efforts are quite narrowly distributed and they are both characterized by high levels of embeddedness. In France and Italy, state ownership of carmakers -- both in the past and present -- has fostered very close ties between the state and carmakers.

The lack of success of other interest groups -- environmental and consumer groups -- suggests a two tiered system of interest group influence. Pross provides a useful theoretical framework that applies here. He would describe agricultural and carmaker interest groups as part of the "policy community," having acquired a strong voice "by virtue of [their] functional responsibilities, [their] vested interests, and [their] specialized knowledge."<sup>4</sup> Consumer, environmental and other less influential interest groups would be part of the "attentive public," separated from the main channels of influence, "particularly if they are opposed to prevailing

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<sup>2</sup>Ibid, p. 21.

<sup>3</sup>R. A. Dahl, A Preface to Democratic Theory (Chicago: University of Chicago Press, 1956), p. 137.

<sup>4</sup>A. Paul Pross, Group Politics and Public Policy (Toronto: Oxford Press, 1986), p. 98.

policy trends."<sup>5</sup> As we have seen, the closed nature of policy deliberations and the attitude of policy-makers to interest groups that are not considered 'helpful' both act to keep some interest groups outside the channels of influence. This suggests that pluralist theory may be of little use in explaining policy-making where powerful interest groups are not active.

A final note on pluralist explanations of EC policy outcomes concerns the effect of decision making processes on interest group influence. Policy decisions made with the Co-operation procedure, exhaust emissions standards is the example used here, have shown a resistance to powerful group influence. The ability of interest groups to influence policy decisions made with this procedure depends on their ability to build stronger ties with the EP. Unless they do so, pluralist theory may not serve as a useful tool in explaining policies that are decided upon by the Co-operation procedure.

Taken individually, none of the three cases provides strong support for a structural Marxist explanation of EC policy-making. The move to open European car markets to more Japanese imports provides some support, but the ambiguous nature of the policy outcome places it halfway between instrumentalist and structuralist Marxism. Taken as a whole, however, these cases are part of a greater 1992 project that fits very easily into the structuralist Marxist framework. The completion of a barrier-free EC market can be rightly seen as an attempt to facilitate long-term profitable capital accumulation. Though its policies may adversely affect particular capital interests, they do so on behalf of general capital interests. Popular concern about the economic malaise of the early 1980's can be seen as the causal mechanism that prompted governments to act in the interest of business. In this light, structuralist Marxism helps explain the greater picture of European economic integration but falls short in accounting for the

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<sup>5</sup>Ibid, p. 99.

cases. Ironically, the liberal economic analysis suffers the same fate: it helps to explain the broad economic goals of European integration while failing to explain specific policies.

Explanations based on liberal economic theory are largely unsupported by the cases. This is somewhat ironic considering that the SEA and its commitment to a single barrier-free market is seen as a response to the 'Eurosclerosis' of European economies during the 1980's. The EC is quick to embrace liberal, free-market strategies in its general policy statements, but unwilling or unable to translate this commitment into policies. The influence of liberal economic theory is evident at the junior levels of the Commission, but as policy ascends and moves on to the other institutions the liberal economic content of policy is displaced by political factors. This is especially true of car import restrictions: a policy that promised to be a catalyst for uncompetitive European carmakers was transformed into a shield that perpetuates low productivity and quality while risking the future of the European car industry. The Economist sums it up well by stating that in the EC, "economics is being buried by politics."<sup>6</sup>

Given the constraints of this thesis, it was not possible to provide a thorough analysis of the influence of public opinion on policy outcomes. However, some general conclusions can be drawn. The influence of public opinion is given only qualified support by the cases, but there is insufficient evidence to draw a clear link between public opinion and policy outcomes. Even the strongest support, the decision to adopt stringent emissions standards, shows policy influenced by general concerns rather than by data relating public opinion to a set of specific policy options. It is no coincidence that the EP played an active role in the decision that best reflects public opinion; the EP is the only EC institution directly accountable to the public. A more thorough examination of public opinion and policy outcomes is required to determine whether a causal relationship exists. Considering the 'democratic deficit' of the EC and the poor flow of

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<sup>6</sup>"The Community's two unions," The Economist, September 14, 1991, p. 17.

information between Brussels and the rest of Europe, it is anticipated that such an examination would not provide much support for a public opinion explanation of EC policy outcomes.

Moreover, claims that Europeans are unable to have a hand in the decisions that affect them and are kept unaware of how these decisions are made are troubling, especially for an institution that offers itself as a model for the new democracies of Europe.

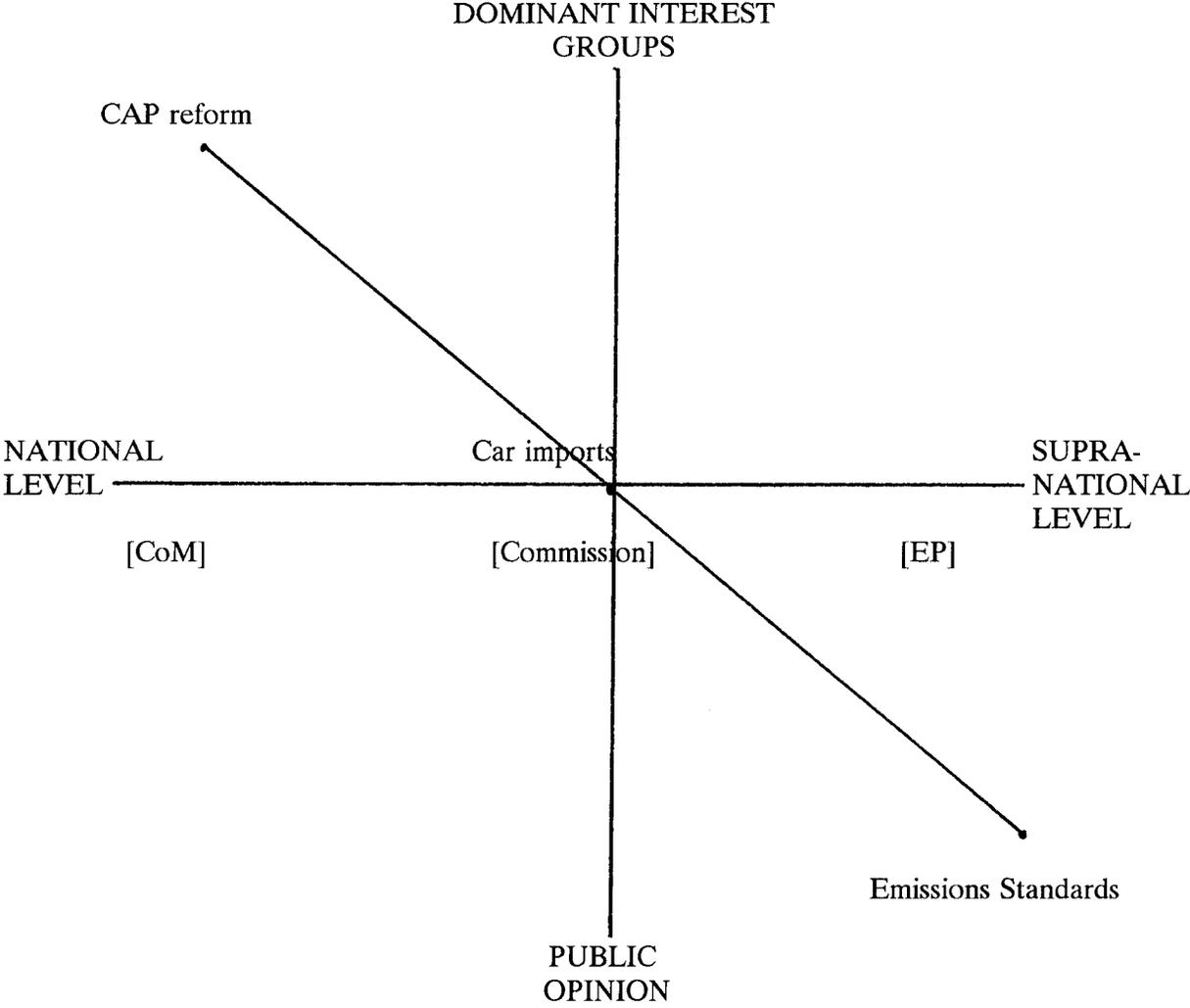
Figure 6.2 illustrates these findings. The horizontal axis represents the balance of power between member-states and the EC. As we have seen, this balance of power is determined by which institution presides over the policy process: the CoM represents member-state interests; the Commission maintains a pan-European vision cautiously balanced with member-state interests; and the EP represents pan-European interests. The vertical axis represents the balance of influence between the dominant interest groups and public opinion.<sup>7</sup> The trade-off between dominant interest groups and public opinion occurs because the narrowly defined interest group benefits come at a broadly distributed public cost, or vice versa. A diagonal line connects the three policy outcomes and illustrates the conclusions of the analysis: that dominant interest group influence is strongest where member-states retain most decision-making power, and that public opinion influence is strongest where EC institutions -- especially the EP -- have significant decision-making power.

Figure 6.1 reflects the predominance of institutionalist explanations over pluralist and public opinion explanations of EC policy outcomes by revealing that the value of the latter explanations is determined by an institutionalist factor: the type of decision-making procedure used. The influence of dominant interest groups or public opinion over a policy issue is determined by which decision-making procedure is used. If the Consultation procedure is used,

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<sup>7</sup>By 'dominant interest groups', I refer to the first tier of interest groups (egs. agricultural and carmaker interests) described earlier as members of Pross' 'policy community'.

**Figure 6.2**  
CASE RESULTS GRAPH



pluralist explanations can be expected to be applied more successfully. If the Co-operation procedure is used, public opinion explanations can be expected to be applied more successfully. If a policy is decided by the Commission alone, both pluralist and public opinion explanations may provide insights to the outcome.

Ultimately, institutionalist explanations are most successful when applied to the cases. Pluralist explanations provide some insight into the policy-making process, but the influence of interest groups may appear exaggerated given the choice of cases. Agricultural and carmaker interest groups are more of an exception than the rule amongst European interest groups. Structuralist Marxism and liberal economic explanations suffer a similar fate: though they both help explain the 1992 project, they both fail to explain any of the three cases to a satisfactory degree. The complexity of European integration, combining so many diverse member-states and plagued by competing visions of the future supra-national state, assures that the rules that govern the policy process provide the most fertile ground for explaining policy outcomes. It is little surprise that EC constitutional deliberations, the framing of those rules, are such a contentious and profound endeavour.

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