

### Conclusions: organized business facing internationalization

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# 11 Conclusions

## Organized Business Facing Internationalization

*Wolfgang Streeck and Jelle Visser*

Up to about a decade ago, business associations were an overwhelmingly national phenomenon.<sup>1</sup> They organized firms or their owners from one country only, by sector, region, firm size, religious or political sentiment, or generally; lobbied national governments or, in corporatist countries, undertook to perform functions of public policy; negotiated with trade unions from the same country at sectoral, regional or national level – and generally participated in both the construction and the regulation of national markets, in cooperation as well as in conflict with governments and organized labour, pursuing the special interest of capital as well as contributing to the common good of nations, however defined, under capitalism (Cawson 1985; Ziegler 1992).

This picture, which dates back as far as the second half of the nineteenth century, held pretty much true until the 1980s. It dominated the imagery behind the ambitious and influential international research project on business interest associations that was started by Philippe Schmitter and Wolfgang Streeck in the early 1980s (Schmitter and Streeck 1999 [1981]). Twenty years later, it seems clear that rapid and, at the time, more or less unexpected progress in the internationalization of capitalist political economies requires major revisions in how we think about ‘the associative action of business’. This, at least, is what the vast recent literature on internationalization and ‘globalization’ implicitly and explicitly suggests. While there were international associations of business as far back as the early postwar years, there were not many of them and their practical significance was doubtful. There also were multinational firms, but the typical large firm was national, perhaps with subsidiaries abroad. Multinational companies were the exception, not the rule, even in sectors such as automobiles, and they were all directed from their home base. Organized capital was nationally organized, just like organized labour – and what its political role was depended on national traditions and institutions, for example on whether these were more pluralist or more corporatist (on national traditions, see Crouch 1993).

If it is true that in the past, business interest associations were closely intertwined with the structure and functioning of the nation state, then one would expect that their fate under internationalization should be related to

that of the latter. Indeed what hypotheses one may hold with respect to the impact of internationalization on business interest associations appears very much driven by what one believes is happening, or expects will happen, to the nation state and the functions of economic governance in which the state has traditionally been involved. As far as Europe and its supranational integration is concerned, many expected for a long time, as a matter of course, that the focus of interest organization and interest politics would shift from the national to the supranational level as integration progressed. Here a new system of interest representation would emerge that would absorb the old, national systems and duplicate them on a much larger scale (Haas 1958; Lindberg 1963; recently Wessels 1997). Later, when European integration was recognized to be tightly coupled to a process of economic liberalization, there was speculation that associations would never recover at the supranational level what they lost at the national level, and that a system of supranational pluralist lobbying, by multinational firms as well as by multinational associations, would replace national lobbying and, importantly, national corporatist cooperation (Streeck and Schmitter 1991). Beyond Europe, economic globalization was believed by many to undercut the nation state and, with it, national business associations. Others speculated about emerging, or for that matter desirable, international arrangements for 'global governance', involving not just states and international organizations but also private non-governmental organizations, including perhaps business interest associations of national or, more likely, international constitution.

The dust of globalization is far from having settled, and this will remain so for a long time. Yet, for those studying business interest politics, there is now enough evidence to conclude that due to the still only vaguely understood complexities of the internationalization process, the pattern underlying the transformation of organized business defies any simple characterization (Wilts 2002). Most students of European integration have now come to understand that the European nation state is not in any way about to be replaced by a European supranational state, and never will be. The implication is that, whatever kind of integration may be in the offing, nation states will continue to play a significant role in the governance of the European economy, although very likely in ways that differ profoundly from the postwar past. If nation states survive, however, national business interest associations might survive, too. Similarly, that free markets do not just emerge, but must be instituted by policy and through politics, could point to a lasting if different role for organized business beyond the end of organized capitalism. Finally, at the global level, while a liberal world market governed by a state-free *lex mercatoria* combined with voluntary codes of practice for large firms might seem an attractive utopia to liberal lawyers and neo-liberal economists, it may in practice not suffice to create the sort of order and confidence that are required for worldwide economic growth and prosperity. Could business associations come in to fill the gap?

Compared to entire states, systems of interest representation and the collective actors that inhabit them are small worlds that are easier, although by no means easy, to traverse and observe. If the response of interest associations to globalization is as closely aligned with that of the national state as one would expect, its study might reveal important insights, not just on the politics of organized interests, but also on the evolution of state governance and state capacities and on the relationship between politics and the economy under internationalization. What is happening to business associations could, as it were, be read like a litmus test for what is happening to the state. As empirical access to a small world is easier than to a large one, the findings this might generate could be more realistic and less speculative – and less driven by wishful thinking – than much of popular writing on ‘globalization’. Indeed to the extent that it is possible to study business associations diachronically and trace the trajectory along which they are changing, approaching globalization by studying the transformation of organized business interests might yield major insights on how political institutions are transforming in the present period of worldwide liberalization, and on how institutional legacies influence the gradual but nevertheless fundamental change that seems to be emblematic of the present period of worldwide liberalization.

This volume deals with the internationalization of business interest representation, and indirectly of politics in general, in an actor-centred, bottom-up perspective. Rather than studying emergent supranational business associations and associative orders above the nation state, it begins its approach at the national level where the vast majority of business associations continue to be located, and tries to learn from their behaviour how the rules of the game of interest politics are evolving. Not only does this make it possible to trace the ‘path dependence’ of change in associations and associative orders, enabling the analysis to take into account the past and the present as important factors shaping the future. It also allows one to relate observed changes in the organizational structures and practices of interest associations – i.e. the corporate actors of interest politics – to changes in the associative orders that constitute the institutional framework of their activities.

The present chapter, which summarizes what we believe are the main conclusions from the empirical analyses presented in this volume, will proceed as follows. Its first part will focus on what seem to be common trends in the development of business associations at national level. While some of these are directly related to internationalization, for others the relationship is more indirect, and yet others are not related to internationalization at all. The main emphasis in this section will be on the ‘logic of membership’, i.e. the relations between interest associations and the firms that they represent.<sup>2</sup> An important aspect of this will be dealt with in the second section, which discusses the emergence of large firms as independent interest-political actors. Following this, the third section will turn to the

role of business associations in the emerging 'Europolity', which we treat as an especially strongly institutionalized example of an international arena of interest politics. As will be seen, the link is the rise of the large multinational firm, not just as a critical constituent of national business associations, but also as a domestic as well as international interest-political actor in its own right. Obviously, the third section will emphasize primarily the 'logic of influence', in that it will explore how the – partial – shift of economic governance to the European level affects the organization and collective action of business. Our main finding is that, rather than being absorbed by supranational associations, many national business associations extend their activities to the supranational, European level, paralleling the efforts of, and sometimes intentionally bypassing, their own supranational associations which remain remarkably restricted in their powers and capacities. By way of conclusion, we relate this observation to the notion of 'Europeanization', both of politics and of political systems.

### The national level: business associations under stress

The chapters of this volume depict national associations of business in a period of profound change. As such change has proceeded gradually over two decades without dramatic disruption, its extent, once fully observed, must appear all the more surprising. The same can be said of the fact that a major source of change seems to have been pressures from below, coming from members. This reveals a much higher salience of the logic of membership for business associations than was believed to be possible in the neo-corporatist 1970s. Then, it was widely held that interest associations in advanced industrial democracies were evolving to become something like 'private interest governments', or 'PIGs' (Streeck and Schmitter 1985), governing rather than merely representing their members in a process of political exchange with powerful interlocutors – governments and trade unions – in which interests had to be diluted in return for their limited but securely guaranteed observance in negotiated common policies.

For this, too much member participation was regarded as less than helpful. Of course it was always admitted that given their lower number of members and the considerable resources at the latter's disposal, business associations would likely be somewhat less oligarchic than their trade union counterparts. While for most mainstream trade unions extracting a sufficient supply of resources from their members seemed to be more difficult than maintaining internal discipline, for business associations the reverse appeared to be true. Still, the extent to which the members of national business associations have in recent decades demanded more accountability of their leaders and closer alignment of associational policies to their own perceived interests, refused to continue to provide resources without a visible return for themselves, or even deserted their appointed 'statesmen of industry' and took their case themselves directly to the public and to political

authorities, seems remarkable enough to require rethinking of received theories.<sup>3</sup>

To what extent and in what sense the revolt of business firms against the neo-corporatist PIGgery of the 1970s was driven by internationalization is a question that is hard to answer conclusively. A factor that seems to have been highly influential is structural change in the membership base of many business associations, which in turn was partly related to the internationalization of markets and production systems. Among other things, internationalization seems to have caused a sharpening of the traditional division between the concerns of small and large firms (see the three country chapters and the chapter by Lehmkuhl, this volume), which appears to have made the proven methods by which business associations used to manage the conflicts between the two groups of members less effective. Also, increasing international division of labour, together with intensified competition even in previously domestic markets, seems to have caused a wave of mergers that reduced the number of firms in the sectors organized by established associations.<sup>4</sup> Smaller numbers of larger firms are, however, more difficult to manage from above than large numbers of small firms. Moreover, more and more firms are becoming multinational in structure and ownership, and, as we will see below, this posed additional control problems from the perspective of national as well as international business associations.

Another development that seems to have put pressure on national business associations was profound changes in union organization and collective bargaining. This, too, reflected international pressures which often issued in a decline of the industrial sector – the main organizational base of trade unionism – and in different forms of decentralization of wage setting. Due to these and other factors, trade unions seem in recent years to have become less important and less constraining as interlocutors of business associations. This would seem to be behind the tendency, manifested already in several countries, to abandon dual organization of trade and employer interests in separate, independent associations. Postwar industrial relations ideally implied a decoupling of wages and working conditions from the economic situation of the individual firm. Where trade unions were strong this seems to have been conducive to organizational dualism on the side of business. However, as liberalization in the 1980s and 1990s wrought a recommodification of labour and of the employment relationship, it seemed to make sense to business interests to coordinate their collective action in product and labour markets more closely, by incorporating previously separate employers associations into functionally encompassing, general associations of business (cf. Wilts 2002: 103, on the Netherlands).<sup>5</sup>

As the chapters of this book suggest, current developments in different national systems of business interest organization respond to similar endogenous or identical exogenous stress and as a result resemble each other across national boundaries. National differences do not disappear, however, and

both national systems and the politics of change and adjustment remain recognizably nationally specific over time, despite similar pressures and adaptive responses. This is a theme in the three country chapters (on the Netherlands, Switzerland and Sweden) and in two of the three comparative sector studies (on the chemical industry in Germany and Britain, and on the logistics sector in the Netherlands and Germany). That convergence does not eliminate divergence and that similar pressures cause reactions that are comparable but not identical may be explained by the fact that common exogenous constraints are mediated by different national conditions and institutions. Also, where responses of national systems are similar, this seems to be due to independent co-evolution caused by endogenous influences rather than to diffusion (see the chapter by Lehmkuhl).<sup>6</sup>

In the following we will discuss three, as far as we can see, rather universal responses of national business interest associations to the ongoing secular changes in their membership base and in the interests emerging from it. We begin with the conspicuous efforts of business associations in almost all countries to rationalize their organizations, not least in response to demands from their members, and cut back on expenses and membership dues. Second, we point to an emerging new style of interest representation, especially by intersectoral business associations, that appears much more 'pluralist' – i.e. conflict-oriented and public opinion-centred – than was deemed politically expedient in the corporatist era. Third, we turn to the already mentioned slow disappearance, or at least the weakening, of the functional division between employer associations and trade associations.

### *Organizational restructuring*

Among the most striking changes we find in almost all countries is that national business associations today experience much more pressure to attend to the perceived interests of their members than they did 20 years ago (see in particular the chapters by Visser and Wilts and by Grote and Schneider, this volume; cf. Boléat 2002). This pertains to the design of their organizational structures as well as to their policies. With respect to both, it seems justified to speak of a slow but effective movement away from a more corporatist towards a more pluralist style of interest representation. Our chapters suggest that this movement has occurred and is occurring above all in response to a significant increase in the heterogeneity of the membership of associations. The result is sometimes intensive organizational restructuring, trying to combine organizational streamlining with increased provisions for member participation, as well as in a different, more aggressive political posture.

Examples of this can be found not only in the three country cases presented in this book. Others come from Germany, where the peak trade association of industry, the Bundesverband der Deutschen Industrie (BDI), under the presidency of Hans-Olaf Henkel waged a public relations attack

on corporatism. Similarly in France the rise of Ernest-Antoine Sellière to the top of the *Confédération Nationale des Patrons* and its subsequent renaming from the CNPF into *Mouvement des Entreprises (MEDEF)* coincided with an attempt to recover the initiative from the state and the unions, and with a new, more self-confident style of defending the values and spirit of entrepreneurialism in public (Bothorel and Sassier 2002).<sup>7</sup> In Italy, the appointment in March 2000 of Antonio D'Amato as the first leader of *Confindustria* with a background of small business in the south foreshadowed a far more aggressive and right-wing approach to industrial relations than had been seen in decades.<sup>8</sup> What these events had in common was that they signified a new self-definition of business associations, not as intermediaries, but as a straightforward voice of enterprise and entrepreneurialism. In France and Italy, and in most federations representing small entrepreneurs, such 'insurrections of the bosses' (Helbert 1984) were not infrequent. In corporatist Europe, however, developments of this sort were new, and in fact they are still unstable, contradictory and, going by the Italian example, not irreversible. In the following we will try to account for them as best we can given the state of our knowledge.

The past 20 years have wrought new and sharper divisions in the membership of business associations, especially between large and small firms, between national and multinational firms, and between firms that are nationally and foreign owned. Small firms have often done less well than larger ones in confronting the challenges of internationalization and intensified competition. One consequence was that large firms tended to be willing to maintain good relations with organized labour, whereas small firms felt increasingly unable to continue to pay the high wages and social security contributions that were a legacy of the 1970s (for Germany see Hassel and Rehder 2001). Resentment against large firms rose especially where these used their dominance in employer associations to negotiate wage settlements that secured peace on their own shop floor while the majority of smaller member firms could not afford them. In sectors like the auto industry, where smaller firms did much of their business producing supplies for large firms, more injury, and indeed insult, was added when large firms demanded lower prices from their suppliers because of their increased labour costs, threatening to turn to foreign sources otherwise. In a country like Germany, conflicts like these began to tear apart the powerful employer association of the metal sector, in that they created almost insurmountable difficulties for its leadership in devising a common policy that maintained the integrity of the association.

In the 1990s at the latest, small member firms in a large number of business associations became highly vocal advocates of a political turn towards a policy that was much less accommodating of trade unions and much more insistent with respect to reforms of the welfare state. As small firms became more militant, they often began to doubt whether their changing political interests would be adequately represented by the large firms that had for so



long run their associations. Moreover, given their declining satisfaction with associational policies and also their deteriorating economic situation, small firms began to demand lower membership dues, causing a resource squeeze that was to become a growing concern for association leaders. This was all the more so since the larger firms that had always paid the lion's share of associational budgets were less willing now than in the past to fill the gap. Themselves facing more intense competition, many of them agreed with the smaller members in demanding that associations cut expenses, using a rhetoric that was very similar to the general demands by business at the time for a cutback of government expenditures.

Not that associations did not do their utmost to keep their large member firms happy enough to stay on and pay, perhaps, an even larger share of the bill. Some tried to reward continued loyalty by improved opportunities for direct voice, through special forums or direct membership arrangements for large firms along the British and Dutch models and on the example of European peak associations such as UNICE and CEFIC (Cowles 1994: 172ff.; Grant and Paterson 1994: 142). The reason why this was not, however, the ultimate wisdom was that smaller firms, in addition to having become stingier, had grown more suspicious of the motives behind the associational activities of their larger competitors-cum-customers.<sup>9</sup> Also, larger firms had in the course of internationalization often turned multinational, and apparently this affected their attitude towards their business associations at home. From their simultaneous involvement in different national systems of interest representation, company executives especially from corporatist countries learned that firms can sometimes represent their interests on their own or have them represented through lobbying firms, instead of paying dues to a trade association constrained to dilute the special interests of its individual members. They were also likely to have seen business associations in operation that worked with a much smaller staff and focused on a much narrower range of core activities than corporatist associations, as a result costing their members less.<sup>10</sup> It seems that due to these and similar factors, firms throughout Europe developed a growing anti-bureaucratic sentiment in the 1990s against their own associations that culminated in urgent demands for internal reforms quite similar to the sort of reforms that firms themselves underwent in response to intensifying competition, or those that business and political leaders demanded of the public organizations of the welfare state.

Similar problems were caused by the growing number of foreign-owned firms in the domestic political economies of Europe. They, too, increased the heterogeneity of the constituency of national business associations (Grant 1984: 7) and detracted from the, as it were, natural cohesion of their members and potential members that makes for high density of association membership. For Germany, Jacobi (2003: 26) shows that foreign-owned firms are more likely to join German associations if they have been present in the country for a long time. Especially US firms that have set up their

German subsidiaries only recently, tend not to be members of employer associations and instead interact with the unions directly if at all. Still, little is known empirically about how non-national origin affects a firm's attitude towards, and its depth of involvement in, the business associations of a country. Associations themselves seem to have different policies in relation to non-national firms.<sup>11</sup> In any case, however, it is likely that the increasingly heterogeneous composition of their constituencies did not make it easier for association leaders to unite their members behind a common policy (Bol at 2002: 88).

While in terms of internal politics the experience seems to have been similar across national and sectoral boundaries, this does not seem to apply to the resource squeeze, which was faced by some associations but not by others. Especially employer associations in countries like Germany and Sweden, which have centralized collective bargaining systems, had built up considerable funds in the postwar years for supporting their member firms in strikes and lockouts. During the long industrial peace after the end of the 'roaring seventies', these funds and the accumulated interest they had earned became so large that some associations were in a position to finance their operation more or less entirely out of the current proceeds from their invested capital. Clearly this dampened the impact of the pressure from dissatisfied members, at least for a while, and delayed adjustments in organizational structure and practice (Van Waarden 1996: 61). But it also stimulated demands from member firms, not just for rebates on their dues, but also for new kinds of activities to be financed from their accumulated resources. In a number of cases, associational savings were used in part to fund expensive public relations campaigns supporting neo-liberal economic reform (see below). Since it was mostly employer rather than trade associations that held accumulated capital, the position of the former in relation to takeover attempts by the latter was strengthened, counterbalancing the declining importance of organized labour and postwar social partnership.

In the long run, however, it seems unlikely that even large savings can shield associations from member pressures for organizational restructuring. Three tendencies in particular seem to be universal. One is *streamlining of organizational structures*, especially where business associations are fragmented so that especially larger firms have to join several different associations at the same time. This costs them money, but even more so, time, and of this they have less today than was the case in the less competitive environment of the past. The result is a call for mergers between associations, although mergers typically increase the diversity of member firms and member interests. Further below, we will turn specifically to efforts to amalgamate employer and trade associations. At this point it suffices to note that firms, having themselves come under relentless competitive pressures to 'do more with less', seem to have become much less tolerant than in the past of the complicated interlocking arrangements for interest representation that used to exist specifically in corporatist countries.

Second, associations seem to have generally grown more *attentive to the individual needs of their members*, including the smaller ones. This should reflect the fact that exit from associations has become less unthinkable even in corporatist systems; that entry was always less natural for the growing number of firms of foreign origin; and that individual action has become an alternative to associative action for a growing number of strategically important members and potential members. Business associations today seem to be spending more resources than ever on services that accrue directly and exclusively to their membership (see the chapters by Schneider and Grote and by Visser and Wilts, this volume). Of course such 'outside inducements' to membership and participation are by no means new (Olson 1965); but it seems that reliance on them has increased as some of the collective goods provided by business associations, especially the procurement of labour peace, have lost importance. An interesting example for the introduction of new instruments of participation, service provision and communication is Gesamtmetall, the huge employer association of the German metal engineering industry. Faced with desertion by small and medium-sized member firms that would no longer be bound by the sectoral collective agreement, Gesamtmetall created a set of sister organizations, run out of its offices, that formally are not a party to collective bargaining (the so-called *OT-Verbände*; Zimmer 2002: 99ff.). Covering the entire territory of the country, these can be joined by firms from the sector which desire individual services as employers – such as advice in questions of labour law – but not collective representation vis-à-vis trade unions.

Third, organizational restructuring often includes business associations *setting up and owning commercial firms* that provide services, such as consulting, at market prices to members and sometimes also to non-members. Using language suggested by Schmitter and Streeck in the early 1980s (Schmitter and Streeck 1999 [1981]), what one observes here is a tendency for business associations to turn from interest intermediaries into 'interest firms'. This tendency is already evident where associations supplement, as they increasingly do, funding by contributions with various forms of charging for specific services provided. Provision of commercial services may be combined with, and based on the results of, surveys of (panels) of member firms. Together with increased use of the Internet, such surveys seem to have become a regular instrument especially for Dutch associations for tapping the needs and views of the membership, replacing the more traditional forms of associational democracy such as meetings and voting (Wilts 2002: 108; Boléat 2002: 95).

Generally speaking, there can be no doubt that the renewal in the past two decades of the spirit of capitalism has not left the formerly often bureaucratic and sometimes state-like associations of capital untouched. More than ever, business association staff are now expected to behave 'businesslike' and act 'entrepreneurially'. This means not just faster decisions and more visible attachment to modern business ideology, but also a willingness to earn their

own income, and that of their associations, in the marketplace rather than as authoritative 'private interest governments' – by developing innovative 'products' that meet the demands of members which, ominously, are now increasingly being referred to as 'customers'.

### *The post-corporatist politics of liberalization*

Liberalization, the dominant theme of political economy since the late 1980s, means disengagement of politics, especially democratic politics, from the economy. It involves a change towards an economic policy that is non-discretionary, rule-based and, above all, shielded from electoral influence. Of course, installing and defending a non-political economic policy is as such a profoundly political undertaking: it requires a difficult and often conflictual dismantling of interventionist institutions and practices, as well as the precarious building of new institutions that protect governments against inevitable temptations to return to non-liberal interventionism. It is in this kind of politics that business associations seem to have increasingly engaged during the past two decades.

In part, the neo-liberal turn of the politics of business interest seems to be a response to changed external circumstances. International, and especially European, prohibitions on 'state aids', instituted to open up national markets for international trade, limit the potential benefits that firms can derive from corporatist insiderism. The same applies to the disappearance of national schemes of corporatist market management, like for example in the Swiss dairy industry (Wagemann 2004). Often internationalization caused a shift from corporatist to state regulation since public government can more easily than private government be held accountable internationally for the opening up of national markets. Thus internationalization may paradoxically strengthen the national state (Lütz 1998). As state-supported associative orders vanished, business associations needed to look for new activities. Public advocacy of economic liberalization partly filled the bill and provided general, cross-sectoral business associations in particular with a new role in which to impress their membership, on the background of a new politics of national political systems in which neo-corporatist self-government was on the retreat. How effective working on public opinion could be was amply demonstrated by the activities of business-funded think tanks and public relations agencies in the pluralist democracies of the United States and the United Kingdom in the Reagan and Thatcher years.<sup>12</sup> Gradually this sort of publicly visible political activity assumed more weight for business associations as the potential gains from neo-corporatist cooperation behind the scenes declined.

Business associations did, of course, not just react to liberalization. In fact many of them were a driving force behind it. With hindsight it can be seen that at some point in the 1980s European business became tired of the corporatist discipline imposed on it by trade unions and social democratic

parties in the wake of the labour unrest of the late 1960s. Internationalization sprang from many sources, certainly including technological and economic ones. But it also came to be promoted by business as a way out of the ever more demanding conditions, and the profit squeeze associated with them, to which business had been subjected inside national regimes. The way large firms, acting through their own 'roundtables' as well as through national and European business associations, contributed to the decision to speed up the creation of a Single Market is well-documented (van Apeldoorn 2002: 68). Up to the present day, given the lasting fragmentation of European politics and democracy by an established system of nation states, internationalization remains tightly coupled to liberalization, both within national economies where discretionary intervention is increasingly outlawed as unfair competition, and in the international arena where courts of law and technocratic agencies take the place of popular democracy.

Turning towards pluralist lobbying of domestic publics for liberal reform had a number of virtuous effects for national business associations. Above all, it alleviated their 'policy squeeze' by solidifying their support from increasingly heterogeneous and demanding memberships to whom liberalization represents a collective good that everyone can find desirable. Neo-liberal rhetoric tends to appeal especially to the owner-managers of small and medium-sized firms, the constituency that had grown most critical of established business associations in the 1980s and 1990s (Wilts 2002: 105ff.; Zimmer 2002: 99ff.). (Those who still need and actively seek specific government support can agree to the unifying rhetoric while continuing to lobby the state behind the scenes.) Public campaigning for liberalization also offered associations a way to spend part of their accumulated resources, hoping that this would quell demands for the money to be returned to the members. Gesamtmetall, the employer association of the German metal engineering industry, today expends no less than €10 million per year on a highly professional and sophisticated public relations campaign, *Neue Soziale Marktwirtschaft* ('New Social Market Economy'), in which the association itself is hardly visible at all. This effort is all the more remarkable since this sort of activity is not really part of the mission of an employer association, not to mention a sectoral one, and would normally have to be undertaken by an association such as the BDI (the Federal Association of German Industry). Other examples of the same kind are easily found, for instance in France where the renamed *Mouvement des Entreprises de France* (MEDEF) organized several large gatherings, of up to 3,000 employers, to defend 'the freedom of entrepreneurship'. In the same spirit, the organization launched an annual Summer University in 1999, in an attempt to assert its new role as teacher of a revived capitalist ethos.

Internationalization, one might think, makes firms, and especially the larger firms that are adopting an increasingly international perspective, lose interest in their countries of origin. But this does not seem to be the case at all. Here our Dutch, Swiss and Swedish case studies are particularly

*instructive as they deal with small countries whose economies have long been among the most international ones. In all three countries, and in Switzerland and Sweden in particular, national peak associations of business have devoted and continue to devote enormous resources to influencing public opinion in favour of opening up and liberalizing the domestic economy, apparently with the full support of their highly internationalized large member firms.*<sup>13</sup> The explanation seems to be that precisely as firms venture across national borders into the international economy, they develop a strong interest in a favourable business environment at home, including a public opinion that accepts the domestic restructuring necessary for international competitiveness. Very likely, firms also feel they need the support of *their home state in the politics of the international marketplace*. National associations, in particular cross-sectoral trade associations, obviously continue to be important instruments for business in creating and securing conditions at home that are supportive of their growth into the world economy. Moreover, large and multinational firms, if they want to be effective in democratic politics, seem to need associations that also represent a fair number of small firms.

### *The decline of dual organization*

For a long time dual organization of business interests in trade and employer associations was typical of corporatist countries, where trade unions were strong and industrial relations were largely autonomously governed by the organized 'social partners'. Dual organization remained alien to Britain and Ireland, despite some early attempts at functional differentiation, as well as to southern Europe. In the first case business associations served mainly as lobbyists and, to some extent, as providers of services, while industrial relations remained under the control of individual firms and a large number of small, often competing unions. In the second case business associations were always highly politicized, and relations between capital and labour were mediated through social movements, political parties and the politics of the state. In neither case were business associations involved in centralized industrial relations, and hence functional differentiation was a luxury that they could do without.

One of the most striking developments in recent years was that separate employer associations at the national peak level disappeared in a great number of countries, including Denmark (1991), Norway (1989), Finland (1993), Switzerland (2000) and Sweden (2001), which followed the early lead of the UK (1965) and the Netherlands (1968). This seems to have left Germany as the only country where dual organization at the peak level survived.<sup>14</sup> At *sectoral* level separate employer associations continue to exist, just as they have for a long time in the Netherlands. In many countries, however, again excluding Germany with its generally frozen institutional structures, there were numerous mergers between employer and trade associations also

in individual sectors, resulting in functionally mixed associations of one sort or other. We have already touched on what we think are some of the reasons for this. More detailed discussion is found in Traxler's chapter and in the three country chapters in this volume. What follows is a brief review of the main points that seem to be relevant here.

For one thing, the integration of employer and trade interests in one organization appears to be part of the ongoing streamlining of business associational systems. As we have seen, firms seem to have become less tolerant in the 1990s than they were in the past of what they increasingly perceive as duplication of effort, leading them to demand reductions in the time and money association members are asked to contribute. Internationalization of firms has added to this as it has undermined the sectoral and national basis for collective agreements which, in an internationalizing economy, can no longer take wages out of competition. Employer associations, but also the industrial relations sections inside general business associations, are therefore increasingly less able to serve as instruments of collective market governance. It is true that the need for associations lobbying against European or national social legislation may have grown, just as associations may have to play a role in inspiring and servicing firms and their human resource managers in local negotiations with unions and employee representatives. That role, however, seems to be better performed, from a business point of view, by organizations placing social and employment issues in the context of the general economic interests of firms.

Another factor seems to be increases in firm size due to mergers, which force the remaining firms to bear a larger share of the burden of collective action, while at the same time requiring them to coordinate their simultaneous involvement in several associations and, where they exist, in several sectoral collective agreements. As has been seen, the only country that thus far escaped the trend towards merger of trade and employer associations is a large country, Germany – which is also, together with Japan, the only large country featuring an elaborate institutional organization of its market economy. German exceptionalism with respect to the trend towards functional de-differentiation may indicate that small absolute size of associations – and perhaps a secular increase in the minimum size required for associations effectively to provide services to their members – may have contributed to the decisions in smaller countries to abandon functional differentiation.<sup>15</sup> Similar factors may also explain why dual organization disappeared so early in Belgium and the Netherlands even though these are corporatist countries. Both are not just small, but in addition they are also divided by religion and, in the Belgian case, regions. When dual organization was abandoned in the Netherlands in 1968, this was partly in response to pressure from large firms dissatisfied with having to pay dues in general as well as in denominational organizations.

Perhaps the main force enabling business interests to abandon dual organization was the general weakening of organized labour in the 1990s

and the attendant tendency towards decentralization of collective bargaining. The Swedish case is highly instructive here. Growing cost-consciousness of members of business associations coincided with demands by firms for a reorientation of activities towards lobbying, public relations, direct services to members and more effective presence on the European and international scene, building up pressure to end dual organization and double membership. That such pressure was actually heeded was due to the decline of the economic clout of the unions. But it was probably also strategically aimed at contributing to that decline, as had been the withdrawal of Swedish business at the end of the 1980s from the corporatist labour market policy boards (Martin 1997: 278ff.). Not only do weaker unions require fewer resources on the part of business associations for negotiations and, in particular, conflict insurance. Dismantling or, for that matter, refusing to create a specialized employer association also makes capital unavailable for union and government attempts at 'concertation' and prevents unions from establishing or defending an institutionalized role in regulating the labour market.<sup>16</sup>

In the Swedish case, there are reasons to believe that in withdrawing from centralized bargaining and national corporatism, employers killed two birds with one stone: regaining the support of those member firms that had grown most critical of associational policies, as well as denying the trade unions the political power that had become the undesirable side-product of decades of centralized bargaining. Where employers are still prepared to participate in national forums and make pacts with the unions and the government, agreements tend to be non-binding, making expensive negotiation and governance machinery dispensable and allowing for the functions of employer and trade associations to be carried out by one organization. The same applies at the sectoral level. When sectoral agreements turn into non-binding recommendations, this is, as the case of the British engineering industry shows, likely to be the beginning of the end of separate employer associations.

Generally, we have already noted that today, social policies are more difficult to separate from economic policies and must prove their economic usefulness. The same applies to working conditions in relation to the economic situation of the individual firm. It is widely accepted that this is behind the trend for a conversion of industrial relations into 'Human Resource Management', accompanied by deinstitutionalization of industrial relations as a separate policy sector or 'subsystem'. As this process advances, as it has in western Europe in the past decade, separate employer associations are likely to be seen as redundant by business firms, and their reduced tasks may be taken over by functionally amalgamated associations, with the benefit of potentially significant organizational economies of scale.



## The rise of the large firm

Business associations have always been particularly responsive to the special interests of large firms. Without their financial and personal contributions, most associations, whether employer or trade associations, would not have the resources they need to perform their mission, including representing and servicing their small and medium-sized members. It is not surprising, therefore, that business associations are more often than not run by their large member firms. Frequently the president of an association comes from a large company, or the secretary-general is selected by the large member firms, or only with their consent. Many associations also provide arrangements for their larger members to meet separately, in round tables or special committees, to articulate their specific interests and impress them on the association's leadership. In return, large firms may, in addition to paying their regular dues, sponsor special projects either financially or by temporarily seconding staff to the association's office. Obviously where this happens, associations become even more dependent on their large members and are even more constrained to do their utmost to maintain and, if possible, increase the satisfaction of the latter with their policies and services.

In many ways, binding large firms seems to have become more difficult for business associations. A variety of authors have noted the emergence of large, mostly international firms as independent interest-political actors, on the national as well as the European and the global level (Coen 1997; Coleman, this volume; Cowles 1994; Ronit, this volume). Rather than letting themselves be represented by business associations – and necessarily allow the latter to aggregate their individual interests into a common group interest – firms have more than ever begun to lobby political institutions and decision makers directly, either through newly created special departments for 'political relations' or by employing professional lobbyists. This practice was always well known in pluralist countries with weak business associations and sectional trade unions, and with governments that were traditionally highly accessible to individual firms as distinguished from representatives of entire sectors or industries. Even here, however, Wyn Grant (1984) observed as early as the 1980s a tendency for large firms to expand their political relations operations and begin on an unprecedented scale to take their interests into their own hands. Today it appears that large firms in corporatist countries have followed their lead and act much more frequently than they used to in the past as interest-political 'free agents'.

This does not necessarily mean that large firms are giving up employer or trade association membership. In fact they do not normally resign from associations even if they are extremely critical of how they are run. Typically large firms prefer voice over exit, putting pressure on the leadership or moving their own staff into leading associational positions. This is because exit may cut them off from information and informal networks essential for exercising influence. In national systems with centralized

collective bargaining, like Germany, large firms even have a vital interest in belonging to an employer association as this protects them from wage demands that would reflect their superior ability to pay. In fact, even international companies normally do not discourage membership in national business associations. Apparently they leave it to local management, and headquarters may often not even know (Grant 1984: 7; Greenwood 2003). Few multinational companies seem to look at membership in business associations in a strategic way, from the perspective of whether to concentrate resources on particular national, European or global associations (Boléat 2002: 93). Of course, this may change and more firms may follow the example of McDonald's, which is among the very few international companies that have a general policy of not becoming involved in national business associations.

It is therefore not primarily a problem of membership that most business associations have with large international firms, but rather one of discipline. As small and medium-sized firms have lost confidence in the intentions of large firms, the extent to which associations can cater to the special interests of the latter would appear to have become more limited.<sup>17</sup> As we have seen, one way in which this conflict is being resolved is associations focusing more than before on public lobbying for neo-liberal policies in general, like the German BDI in the 1990s under the leadership of a representative of a very large multinational company (Hans-Olaf Henkel of IBM).<sup>18</sup> But the less specific the policies of business associations become, for internal or external reasons, and the more their public pronouncements celebrate the virtues of free markets in which there is no place for special political favours to national champions or ailing firms, the more of a need large firms may feel to open up additional avenues for themselves to make their particular interests heard. This, we believe, is a main reason why so many of them, including firms from corporatist countries, have begun to develop, in addition to *their still carefully cultivated capacity to organize and direct collective action through associations*, a variety of instruments of direct intervention with policy makers on their own behalf, such as exclusive Business Round Tables of selected national or international corporations, or representative offices in national capitals or in Brussels.

Several of the forces that have propelled this development have already been mentioned. Internationalization is one of them, as it may offer firms from corporatist systems opportunities to observe and imitate the weaker collective solidarity and the more aggressive individual lobbying of their competitors or subsidiaries under pluralist regimes. Similar to general managerial practices, indications are that internationalization of firms de facto often means Americanization. Both multinational and national firms alike seem to learn the same lesson, of less discipline and more political individualism, as they begin to represent their interests at the European level in Brussels where the style of relations between decision makers and industry differs from the corporatist model and comes much closer to the pluralist,

Anglo-American pattern (for an example from the early 1990s see Cowles 1994: 182).

Second, cross-national mergers and takeovers may produce large 'disembodied firms' (Pestoff, this volume) that may be less comfortable with, or care less for, the traditional 'clubbiness' of national business associations, again especially in corporatist countries or institutional arrangements. It is true, as the Dutch case in particular shows, that associations can adjust to the demands of large multinational firms and may, with innovative practices, manage effectively to integrate them. Still, as pointed out by Traxler (this volume), cross-national mergers disturb sectoral and national identities and loyalties, and while this may not make firms resign or abstain from membership, it is likely to change their attitude towards it. Large firms, which increasingly tend to be multinational, may opt more than before to locate parts of their activities in other countries. Very likely, their attitude towards national interest intermediation will be more instrumental and non-committal and will include a general readiness to 'go it on their own' if associational policies are not to their liking. The more often this happens, the more one would expect corporatist cultures of associative action to be modified in a pluralist direction.

Third, it seems that corresponding changes are taking place in the practices and habits of the political interlocutors of business in national governments and international agencies, which constitute the opportunity structure of business interest politics and define its logic of influence. Increasingly, even in corporatist countries, politicians and public officials seem to be willing to speak to representatives of large firms directly, especially if these happen to be prominent. Publicly visible contacts with the leaders of big firms, unlike corporatist-style closed-door meetings, bestow on politicians an aura of entrepreneurialism, which they today believe they need for creating an attractive image of themselves and the entire political enterprise. Direct contacts between business interests and political decision makers, instead of relations mediated through associations or corporatist institutions, gain importance in national politics also due to deregulation weakening collective representation; to the rise of new sectors without established sectoral organizations, such as information and telecommunications technology; or the expectations of and the attention given to foreign firms. Push and pull come together as top managers learn at business school and from their, increasingly Anglo-American, role models how to build direct relations with politicians and governments. Both opportunities and temptations for large firms to bypass associations have increased in the national as well as the international arena; one might think of the Davos gatherings and similar forums. This implies, incidentally, that the very firms whose resources are most needed by associations are becoming less dependent on them and, as a result, are less available to be drafted into contributing to their organizational capacities. This point, which has been made regarding the relationship between large firms and European-level business

associations (Coen 1997; Cowles 1994), applies certainly at the global level (see the chapters by Ronit and Coleman) and is also true at the national level.

The emergence of large firms as independent interest-political actors inevitably gives rise to a new kind of duplication of effort, this time between associations and their most potent members. But, unlike in the case of imperfect functional differentiation between employer and trade associations, there are few complaints to be heard. Associations, of course, might resent that their large member firms spend growing amounts of resources on pursuing their special interests, instead of contributing to the general interest of the industry or of capital as a class. Association officials know, however, that they have no choice but to take what is given to them, and continue to do their utmost to serve the interest of their large members in whatever they can still offer in return. That large firms flexibly and opportunistically shift between a variety of modes of making their interests heard, from individual lobbying to collective action, from national to supranational action and back, and if necessary from one national arena and associational system to the next, is now more or less taken for granted (Greenwood 2003: 119). 'Solidarity' is often demanded of business firms by their associations, but it is generally understood that it is only rarely supplied. After all, business firms are supposed to be pursuing their individual interests, and their associations are there to ensure that they can do just that. Small firms, too, know where the money is. In times of economic turmoil, when their large competitors are getting ready to cut their throats, they may dream of organizing separately in a *Ponjadiste*-style movement of their own. But reality being as it is, it usually offers them a choice only between having little influence in associations with much influence dominated by large firms, and having much influence in associations of only small firms that have only very little influence.

### The European level: new complexities

Economic internationalization in Europe was from early on and continues to be accompanied by supranational integration of political institutions. The past two decades saw the slow emergence of a new, Europe-wide political system *sui generis*, one that exists on top of and in addition to the national systems. Together with these, it forms an international multilevel system of political-economic regulation, which greatly adds to the complexities of interest politics in European countries. In the following we will briefly summarize, first, what we know about the institutional and organizational structure of interest representation in the European Union. Second, we will in particular look at the consequences of multilevel interest representation for national business associations. Third, we will briefly explore the relevance of our findings for what could reasonably be meant by that much used concept, Europeanization.

*Interest representation at European level*

Early integration theory, developed in the mixed economy world of the 1950s and 1960s, expected business associations to be among the driving forces of European integration, with functional representation preceding and pulling forward territorial representation through parties and parliaments (Haas 1958: 9ff., 16; Lindberg 1963: 101). More or less, the imagery informing neo-functional perspectives on integration was one of a supra-nationally organized 'modern capitalism' (Shonfield 1965), with an orderly, essentially corporatist system of supranational interest intermediation absorbing and in the long run replacing the national systems of member states.

By the end of the twentieth century, it had become clear that this was not the direction in which united Europe was moving. The logic of influence for organized interests that had over the decades established itself in Brussels differed profoundly from that of postwar neo-corporatism (Streeck and Schmitter 1991). In the 1970s at the latest, the European Community had turned into a site of extensive lobbying in the Anglo-American style. This was reinforced with British accession, when British firms extended their domestic practice of direct relations with government agencies to the supranational authorities of what was soon to become the European Union. European business associations, which began to be created as early as the mid-1950s, soon had to share access to European authorities with representatives of large firms and professional lobbyists, often American law firms. As mentioned above, while it is widely assumed that the European Commission tried to encourage the formation of strong sectoral and intersectoral associations of business, it was unable to establish a corporatist culture limiting access to collective organizations and withholding it from firms. Also, trade unions were and continue to be present at European level only as lobbyists. Due to the weakness of the European quasi-state and the refusal of employers to take part, there is no collective bargaining in Europe above national systems in which, in addition, it is slowly eroding or weakening in a number of countries, especially at the sectoral level (Marginson and Sisson 2004).

Brussels, however, must not be regarded in isolation. As pointed out, rather than a political system like any other, the European Union is the upper layer of a unique multilevel-cum-multinational governance arrangement and is adequately understood only as such, i.e. in its interaction with the growing number of national polities that continue to form its base. For interest representation, this means above all that the European Union offers many more and different access points than a normal polity, not just in Brussels with its complex institutional set-up but also through the national policies, with the relationship between the two levels being much less well-defined and much more in flux than in any national federal system. In part, the complicated logic of influence that derives from this is to do with the

fact that it continues to be the Council that is the – nationally divided – political centre of the Union. Council decisions may be influenced via the Commission or the European Parliament but also, and sometimes more effectively, through national governments (Greenwood 2003: 39ff.). This holds certainly where European-level decisions require unanimity. In this case it is enough for a group interested in preventing a given decision to avail itself of the support of just one member state – which for business interests first was Thatcherist and, later, Blairist Britain.<sup>19</sup> While with majority voting a Council veto requires more than one country, it may still be expedient for interest groups to access European Union decisions in national capitals putting together a multinational veto coalition.

The structure of European business associations reflects the complexity of, and the continuing significance of national states within, the de facto constitution of the European multilevel regime. UNICE, the peak association of European business, organizes national peak associations, not European-level sectoral associations. European business associations at the sectoral level exist apart from UNICE and are structurally unrelated to it. Indeed lack of coordination between UNICE and the various European sectoral associations represents a lasting problem for business interest representation at European level (Teuber forthcoming).<sup>20</sup> Moreover, while sectoral associations differ considerably in their resource endowment, many are under-resourced and nearly all are far less well endowed than their national members.<sup>21</sup> If the allocation of resources between different levels of organization can be taken as a proxy of the relative significance of the latter, it shows that in spite of all the talk of globalization, internationalization and Europeanization, the national level has remained central for organizing economic interests.

The weakness of business associations at the European as compared to the national level may also have to do with the fact that national traditions of interest organization are very different within the European Union (Grande 2003: 53ff.; Platzer 1984: 166). This seems to make it difficult if not impossible politically to integrate national organizations closely into a common supranational format. One expression of national differences in traditions of associative action is differences in the amount of resources associations have available. Rich and well-established associations from corporatist countries thus may enjoy an important advantage when it comes to the distribution of influence and power in European associations. That advantage may enable them to protect their own freedom of action, just as it may make weaker national associations reluctant to give up their independence in favour of an organization inevitably dominated by much better endowed member associations from other countries.

Empirical research and theoretical reasoning also suggest that national differences of interest continue to exist and may even increase within sectors, regardless and perhaps precisely because of the completion of the 'Internal Market'. Thus a given industry may turn out to enjoy comparative advantage in some countries while losing out in others, which may result in its

increasing geographical concentration. In this case, with prospering and declining firms located in different countries, it would seem difficult to combine their interests and, in particular, their national interest organizations in an integrated supranational trade association. More likely, the evolution of such an association would be blocked and the different national associations with their different interests would try their European luck on their own – unless the national association of the country winning the *Standortwettbewerb* would either take over or de facto turn into the sector's European association (for an instructive example see Teuber, forthcoming).

Interest organization at the European level, to sum up, is much more fragmented and much less institutionally settled than at the national level (Grant 2002: 56ff.). The number of independent actors is higher, and there is less space for authority from above to impose coherence by coordination. This is further exacerbated by the fact that UNICE itself is far from sectorally all-encompassing and has difficulties organizing small and medium-sized firms as well as commerce and trade (Greenwood 2003; Platzer 1984). Most importantly, however, European business associations, including UNICE as well as the sectoral associations, have to come to terms with the independent and often highly sophisticated lobbying activities of large firms. Some of these appear to expend sums on their Brussels offices that exceed the budget of many trade associations (Grant and Paterson 1994: 143). There are even cases of large firms luring experienced staff away from their sectoral trade association to hire them as their own European lobbyists.

Large firms also organize their own business round tables, which exclude both smaller firms and the representatives of business associations (Greenwood 2003: 119ff.). The latter have little choice but to organize themselves around their ever more powerful large members. In return for staying on, large firms tend to demand opportunities for direct membership in what otherwise are European associations of national associations. They may also want to form special committees, which inevitably creates tensions with small and medium-sized firms envious of their influence.<sup>22</sup> Generally, as Coen (1997) and others have shown, many large firms tend to use the Brussels business associations opportunistically as footholds in the European capital if they believe they need one; if not they circumvent them and act on their own.<sup>23</sup> Add to this, as observed already by Streeck and Schmitter (1991), that even member states and subnational regions appear on the Brussels scene as active lobbyists defending their interests, making for a political environment that is extremely diversified and pluralist. This offers a great variety of opportunities for political access and coalition-building that was quite unknown in the more sedate settings of west European nation states after 1945.

*National business associations in the European multilevel polity*

From the perspective of theories of organization and institutional change, it was always unrealistic to assume that national business associations would happily transfer their resources and decisional autonomy to supranational associations, only because European integration would shift decision-making power from the national to the supranational level. The inherent tendency of organizations to strive for their reproduction even in the face of changing external conditions, and generally the path dependency of social institutions, would inevitably have resulted in delayed rather than accelerated adjustment of the organization of collective interests to the progress of European integration. Now that such progress has been slower and, most importantly, in a different direction than originally expected, the persistence of national business associations and their continuing strength in relation to their supranational extensions should not be seen as surprising any more.

In fact, it is not just their established control over their resources, their well-oiled organizations and the costs sunk in them that protect the position of national business associations in, and in spite of, a more integrated Europe. Another condition militating against the weakening of national associations and their eventual absorption by European ones is the *problematic compatibility of different national traditions of interest organization and interest politics*. Corporatist and pluralist organizations function differently and cannot easily be merged. As the result of attempts at merger is uncertain, it is less risky to reserve one's own proven capacities and operate if necessary through two channels. In addition, there are at least three other factors that have prevented and are likely further to prevent a decisive weakening of the national level of interest politics in the European Union.

First, as stated above, among the many points of access the European Union offers to actors interested in its decisions are the national capitals, whose representatives continue to be the dominant players in the governance of the Union. As a consequence, European business associations, including UNICE and the various sectoral peak associations, more often than not depend on their national affiliates to intercede with their national governments,<sup>24</sup> so that the Council gets an impending decision 'right' from the perspective of European business.<sup>25</sup> It is obvious that such dependency strengthens the role of national associations within their European peak associations, mirroring the strong position of national governments inside the Union.

Second, economic sectors continue to differ in structure and performance between countries, even in an integrated world economy. To the extent that different institutional and other conditions in different countries make for differences in the competitiveness of firms, the interests of the latter in relation to supranational decision making may be too heterogeneous to allow for joint representation through a unified European association. Competition may also lead to specialization within and between sectors. In the former case,



firms in one country may specialize on subsectors that may have very different interests with respect to legal or political regulation than other subsectors (for the retail industry, see Teuber forthcoming). For example, if bulk chemicals are produced in some countries while fine chemicals or pharmaceuticals are produced in others, national sectoral interests with respect to environmental policy may differ so much that they cannot be represented by one and the same association.<sup>26</sup> Finally, specialization between sectors may result in concentration of a particular industry in one member state, or a small subset of member states. This would make it very difficult for a European association to prevent its respective national member associations from bypassing it and entering into direct relations with European Union agencies.<sup>27</sup>

Third, not only do European-level associations often find it hard or impossible to represent a common supranational view. In addition, European authorities are willing to speak, not just to individual multinational firms, but also to national associations from individual member states. As these are in contact with their governments, which in turn are dominant actors in Brussels, this is not surprising. Often European associations cannot deliver the quality of expertise that national associations can provide. Moreover, if nationally-based interests are too diverse, European associations cannot produce a coherent non-trivial policy position, and consultation with the relevant national players will be required for meaningful decision making. Direct national access also reflects the openness and multiple accessibility of the Brussels machinery of governance, which leaves a lot of space for interest-political entrepreneurialism, not just of professional lobbyists and large individual firms, but also of associations of less than full European scope.

Rather than going away, national business associations, sectoral as well as cross-sectoral ones, have expanded their – inevitably national – strategies into the European arena. Here they act, not according to a European ideology, but in pursuit of nationally based interests interpreted in a European context. National business associations often and, if they command enough resources, typically do this through European offices of their own that liaise with all sorts of other actors, from the Permanent Representation of their home country to the different levels of the Commission, the European Parliament, the lobbying establishments of large firms and, importantly, the head offices of the very same European-level peak associations to which national associations are affiliated. Moreover, European action of national associations includes the selective formation of, as it were, horizontal alliances with other national associations outside the purview of European peak associations, even those of which all parties are members. If anything, it is the increased capacity of national actors for international action that is emblematic of that multifaceted process referred to in the academic literature and in everyday parlance as 'Europeanization'.

*The 'Europeanization' of interest politics*

In the history of research and theorizing on European integration, Europeanization has come to mean a great number of things. Originally it seems to have meant the expected dissolution of national institutions and identities into a more or less federal, but in any case unified, European political system (Haas 1958). More recently, the concept is used to refer to a gradual restructuring of national politics and policies from above, by European legislation, court decisions and 'benchmarking', issuing in a reorganization of national regimes according to norms originating at the upper level of the European multilevel system. The end result of this process is supposed to be convergence of national, political and administrative systems on a common European template. To us, looking at the ongoing transformation of systems of interest representation in Europe, this image of European integration seems by far too top-down and mechanistic.

Given what we have observed in this book and elsewhere, if Europeanization as a concept is to be useful at all, it must be reformulated once again and become more actor-centred. By this we mean that it must reflect the strategic dimension that is essential to the adjustment of originally national collective and individual actors to the progress of European economic and institutional integration, i.e. to the specifically European version of internationalization. Far from passively receiving and obeying decisions of the new agencies that have arisen above the nation state, and changing their views and ways accordingly, national actors as we see them respond to the growth of international transactions and institutions as to an additional parameter for their strategic action and, ultimately, self-definition. As they experience increasingly frequent transactions across national borders and perceive growing opportunities in taking part in them, national firms, associations and governments adopt an international perspective and begin to conceive of their location in an increasingly transnational context as a defining characteristic of themselves: they become national players on a playing field, Europe, that extends beyond the borders of their own country. How they move in this environment, and what goals they choose to pursue in it, is not something that they will allow others to determine, not even, and perhaps precisely not, a supranational agency or peak association of which they are simply one client or member among others.

Europeanization, as we see it happening, does not in principle preclude that actors may at some point rescind their national constitution and dissolve into more encompassing, denationalized collectivities, provided they find these better suited for containing the risks and opening up the opportunities of internationalization. But this is far from the only possible response, and indeed now it seems to be among the least likely. A concept of Europeanization that accords the national actors undergoing it an active capacity would lead one to expect not uniformity but difference: driven by different national starting points, structurally-based interests and strategic

choices. The changes that will result from this must be empirically traced rather than theoretically predicted. The extended strategic reach that accompanies internationalization may undo old constraints, such as obligations to participate in corporatist interest intermediation. But it may also create new ones, like those associated with supranational competition law, just as it may open up new opportunities, for example possibilities for strategic and tactical alliances with actors outside one's own country that previously seemed to be without practical significance. Old goals may become unrealistic, but then some of the new possibilities that are gradually being discovered may be turned into new goals. Similarly, proven means may cease to be available, but others may turn up that may usefully be deployed in pursuit of old or new objectives.

In other words, for Europeanization of interest politics to be a reality, it is not necessary at all for the resources of European business associations to exceed the combined resources of their national constituents – and the fact that they do not, and very likely never will, is no proof of national parochialism or of ignorance of the consequences of internationalization. Nor is there reason to treat as an anomaly – or as a transitory condition on the way towards 'real' Europeanization – what has long become a normal and stable feature of business interest representation in Europe, namely the presence in Brussels of bureaus of national sectoral or intersectoral trade associations that operate separately from the bureaus of their respective European-level associations. The same is true for the fact that there are and continue to be major differences in the European presence of different sectors, and especially in the way national and European organizations relate to one another, and it holds similarly for the absence of an intersectoral European peak association organizing the European-level sectoral peak associations. That integrated Europe is not an integrated polity on the model of national polities does not imply at all that actors do not take the reality of integration into account when pursuing their interests; it only means that they do this in their own way, proceeding from where they are instead of from where 'theory' tells them they will have to be.

## Notes

- 1 We wish to express our gratitude to Jörg Teuber for competent research assistance.
- 2 For a more elaborate presentation of this concept and related ones, see the Introduction, this volume.
- 3 An interesting parallel exists on the side of trade unions. Here, too, it seems that the literature on neo-corporatism has underestimated the demand of members of interest organizations for political participation, while overestimating the capacity of established associations to generate member commitment without a minimum of organizational democracy. See Baccaro (2002).
- 4 Mergers, according to Boléat (2002: 87), are bad news for trade associations. Among other things, mergers tend to lower an association's subscription income. Usually subscription scales are capped. When two member firms

- merge, the new firm will likely pay less than the two had paid together before the merger. Associations must react to this by reducing expenditure or seeking to increase revenue from other sources. They may also on their part try to merge with associations in the same or an adjacent sector.
- 5 Interestingly in the 1970s it seems to have been the other way around. Where mergers between trade and employer associations were considered, they were basically conceived as a takeover of the former by the latter. This may have reflected the strength of the trade union movement at the time which resulted in an increase of national labour market regulation, by law or collective agreement. This in turn gave primacy to the labour market interests of employers over the product market interests of producers, especially since firms were less exposed to international competition than today (see Bühner 1989: 157ff., on the attempted merger of the German peak associations BDI and BDA).
  - 6 Independent parallel evolution in response to similar pressures in the absence of cross-national diffusion or joint action was also found with respect to organizational changes in postwar trade unions in Germany and the Netherlands (Streeck and Visser 1998). This testifies to the continuing importance of national borders and legacies. Given the manifold international contacts and the increasing internationalization of business, the national embeddedness of its organizations may seem more surprising than in the case of labour.
  - 7 Sellière's motto, frequently repeated in his notorious press conferences, was 'dire sans prudence ce que pensent les entrepreneurs français'.
  - 8 D'Amato's appointment by Confindustria's General Council deeply divided the organization and did not have the support of the large industrial firms and the powerful federations of large industry. He was not given a second term and in 2004 the organization elected Luca di Montezemolo, who is close to the Fiat dynasty and not himself an entrepreneur. This was widely seen as an attempt to repair the damage in the relationship with the unions and put a distance between Confindustria and the Berlusconi government.
  - 9 The French intersectoral business and employer association, MEDEF, was able to introduce direct membership of large firms in its most recent constitutional reform because in most sectors small firms had already established strong peak associations of their own. This holds for the Netherlands as well, although the separate organization of small firms may also be seen as the *result* of direct membership and the consequently enhanced influence of large firms in confederations representing small firms as well.
  - 10 This is a point made for example by Pestoff and by Grote and Schneider in this volume. A contrasting view is that of Greenwood (2003), who claims that no one in an international firm knows what the local subscription fees are, and that association membership is one of the last areas of the activities of firms where hard-headed cost-evaluation methods are not used. But this may apply more to the low cost European associations than to the more expensive national associations, especially in the case of employer associations or associations with dual functions.
  - 11 In the automobile industry foreign-owned producers are often only informally or not at all involved in national or European-level trade associations. They are most firmly integrated in the German association whereas in Britain, US multinationals have abstained from membership (Teuber forthcoming).
  - 12 The equivalent at the European level was the Centre for European Policy Studies, which was founded in the 1980s by large companies (Cowles 1994: 168).
  - 13 Dutch peak associations and multinational firms have unwaveringly promoted the same cause, but somewhat less aggressively and publicly. Presumably this

- was because they were well served by the liberal market policies of their government that had the backing of the unions during the successful phase of Dutch 'supply-side corporatism' in the 1990s.
- 14 There is also a separate trade association of industrialists in Austria. It plays only a minor role next to the all-embracing Chamber of Industry and Commerce, which has obligatory membership and represents both trade and employer interests.
  - 15 As noted above, the resilience of German employer associations, especially in the metal sector, may also be explained by their enormous wealth. The national peak association of German employers, BDA, receives approximately one half of its revenue from Gesamtmetall. In part this reflects the relatively slow deindustrialization of Germany, which in turn is due to the high international competitiveness of its exposed industrial sector. Note that in Sweden, a smaller country which, in addition, progressed much faster on the road to a service economy, the similarly rich financial endowment of national employer associations did not save these from consolidation.
  - 16 As we will argue further on, this is how it has worked on the European level.
  - 17 This has interesting consequences even for the mobilization of associational resources (Bol  at 2002: 86). More often than not, business associations are constrained by their smaller member firms to place a ceiling on the financial contributions large firms are allowed to make, so as to protect the association from becoming overly dependent on them. The contradiction between this and the strong desire of the small firms for the large ones to subsidize collective action and individual services is obvious.
  - 18 In France, Mr Sell  re, who came from one of the largest financial holding companies with stakes throughout industry and services, provides another example.
  - 19 As has often been stated, the great strategic advantage of business in European politics is that its interest is more in preventing than in shaping the building of European-level institutions, especially as regards industrial relations, employment policy and social protection.
  - 20 In other words, the architecture of the functional representation of business interests in Europe remains open at the top, indicating the weakness of the European polity as a reference point for political organization at the class level. One might also speak of an unresolved pluralism of national and sectoral interests existing next to each other at the level of the European Union. Something like this is also found within sectors. The Council of European Employers of the Metal, Engineering and Technology-based Industries (CEEMET), formerly the West European Metal Employers (WEM), finds it difficult to prevent independent associations in subsectors such as shipbuilding, aircraft production or car manufacturing from dealing directly with the Commission or with national governments and trade unions.
  - 21 Greenwood *et al.* (1999) observe that almost half of all European associations have no more than two staff members. 'Most EU business associations remain chronically under-resourced and are thus ill-equipped to perform the tasks demanded of them' (Tyszkiewicz 2002: 171). The same applies to the trade unions.
  - 22 In peak associations, tensions also arise with member associations. In the late 1980s, the influence of large multinational firms in UNICE was institutionalized by the creation of the UNICE Advisory and Support Group, which is funded by the participating firms themselves and directly. Especially British, Dutch and American firms make use of this platform. The national peak associations, which are the formal constituents of UNICE, agreed to the formation of the Group only after some firms had threatened to reduce their national

- membership fees (Cowles 1994: 179ff.). Especially the German and the French national peak associations fought to defend their monopoly of representation inside UNICE. After the reform they tried to make their domestic firms channel their contributions to UNICE through their national associations (Cowles 1994: 181).
- 23 'Thus according to the issues, the big company will wear the EU trade association's hat when it has an interest in doing so. Conversely, it will undertake its own lobbying actions when this is to its advantage' (Guéguen 2002: 51).
  - 24 Even here, according to a knowledgeable source, 'much essential work is left undone and the political potential of concerted and timely action at national level is left unexploited' (Tyszkiewicz 2002: 171).
  - 25 The same game is often played by multinational firms trying to coordinate the lobbying activities of their national subsidiaries in the interest of the firm as a whole. Firms may also make themselves available to associations for this sort of coordinated European lobbying of national capitals.
  - 26 A similar case would be the auto industry. British firms now produce exclusively supply parts rather than whole automobiles (which are produced in Britain by foreign subsidiaries). The interests of suppliers may differ from those of final assemblers of automobiles. Where subsectoral divisions come to coincide with geographic or national divisions, unified supranational interest organization seems difficult to achieve, and national associations may have to begin to play a supranational role.
  - 27 Thus German chemical industry associations are aware of the fact that the European chemical industry is essentially concentrated in only four countries whereas the European sectoral peak association, CEFIC, encompasses the entire European Union as well as other countries. While in the postwar decades German interests could effectively be articulated at an international level only through multi-lateral channels, today this is no longer necessarily the case. As a consequence German national associations increasingly rely on independent European action, sometimes in variable alliances with associations from countries that happen to have identical interests on a particular matter.

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