The Development of the European Union: Cross-border Business Cooperation and Its Impact upon Political Integration

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by

Michelle Calkins

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Abstract

The development of the European Union has been influenced by many factors. One such factor has been the proliferation of international business cooperation. This thesis explains how cross-border business cooperation has influenced and encouraged European political integration. This is done in two parts. First, the proliferation of international business cooperation is supported through analysis of mergers and acquisitions in the past decade. Second, the access of businesses to government is analyzed through business lobbying practices. These two are brought together to explain how businesses influence government through the use of a case study.

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Introduction: the context of the research

It was Jean Monnet back in the 1950s who first realized that the best way to move towards European integration was to use a functionalist strategy. First, get the economic players interested in integration, and the rest will follow – that was his plan. With the start of the European Coal and Steel Community (1951), that plan began to be realized. What Monnet may or may not have been expecting, however, was the concept of "spillover" as described by Ernst Haas in 1958. Haas coined this term to describe the action of the international cooperation involved in the European Coal and Steel Community spilling over into international cooperation in other areas. Since Haas, many analysts have been interested in the link between economic and political integration. "At least at a theoretical level, 'political' and market integration are intrinsically linked" (Nello 2002:291). According to Nello, one cannot have one type of integration without the other. However, she does include the proviso that this is only at the theoretical level. So, has this been the case in the European Union? Jacques Pelkmans thinks so. "The processes of economic and political integration in the European Union have been linked from the start" (Pelkmans 2001:3). It is true that the theoretical basis for the continuing economic cooperation was that political integration must eventually follow. It is also true that with the culmination of the European Monetary Union, the economic integration of the member states is nearly complete. At this point, the union is turning to the integration of more political issues (e.g. Common Foreign and Security Policy, Justice and Home Affairs).

Government regulations can indeed change the way business is done. "There exists some empirical research that uses detailed case studies to show how new institutions change the way firms and other economic actors behave and are organized" (Fligstein 2002:1209). While Ernst

Haas described this phenomenon as "spill-over," Chryssochoou (2201:113) called it "unintended consequences." Either way, both theorists agree that European integration has led to growth of European supranational agencies. How specifically does this work? European Union integration means new agencies, political bodies, and more importantly, regulations for the whole of the European Community. Within this community are many companies which realize the benefits of the international cooperation they see in the EU. Recognizing that the new regulations make it easier for corporations to work within Europe as a whole (and not just in their own states), these companies are now wanting to get out and seek new business outside of their native regions. These companies, who initially competed with one another, recognized that business can only be enhanced if they agreed to work together. Therefore, the companies began cooperating with one another, eventually merging into new international companies. This is the spill-over of economic actor integration that Haas eludes to, and the "unintended consequences" that Chryssochoou talks about.

Specifying the Research Question

The government's impact upon business is not the only way in which European integration is furthered. In fact, integration within Europe is a self-reinforcing system. European businesses gather together independent of governments, work together, and put pressure on their respective governments to work together on the EU level. This study sets out to explain how, as businesses acquire cross-border interests and linkage with other markets and institutions, they bring to domestic politics a perspective that supports government efforts at similar linkage and integration on the political level. This phenomenon will be described in two parts. First, the presence of increased cross-border business ventures (and the timing of them) must be analyzed. Second, the ability of business to impact the domestic government, specifically through lobbying, must be established. Both of these are done. The analysis culminates with a case study to illustrate how cross-border ventures and lobbying come together to influence governments.

Methodology

To answer the research question, this study employs several related strategies. The first is a broad reading of cross-border mergers and acquisitions. This is done to give historical and cultural context to the subject as a basis for more detailed economic research. This more detailed economic research is mainly quantitative. The best available data was gathered. This collection was hindered by economic constraints, as the raw data is only available for a substantial fee from Thomson Financial Services Company. To find the necessary data, then, the author turned to a variety of sources, including the UN Committee on Trade and Development (UNCTAD), the European Union statistical office and Directorates-General, as well as academic studies. Data from UNCTAD and the statistical office must be normalized to account for worldwide global trends (accounting for national and international recessions, for example). For this study, data was normalized by relating it to the current world-wide rate of mergers and acquisitions (M&A). The final data presented, then, is a percentage of M&A relative to worldwide trends that same year: $\frac{number\ of\ cases\ in\ Europe}{number\ of\ cases\ in\ world} \times 100\%$. Note that the number of cases are for a given year.

The data found in academic studies is already normalized and therefore is given in exactly the form as found in the original study. This data was then examined on a case-by-case basis (or year-by-year, as the case may be) to look at micro-influences.

The influence on and interaction with government by business is derived from both academic and political commentary. The analytical commentary was found by searching first for broad readings to acquire a basis for deeper research and then by continued reading on more specialized topics.

Mergers and Acquisitions

Business cooperation across national borders within the European Union can be analyzed and quantified in many different ways. The type of economic consolidation most relevant to the goals of this study, however, is cross-border mergers and acquisitions within the European Union. "Changes in the EU are market driven," says Howell (2002), "and cross-border activity has emerged despite the absence of regulation." The market-driven nature of the EU implies that economic factors will certainly have an effect on European integration. The fact that this cross-border activity has emerged, with or without government intervention, implies that it is not driven primarily by government policy, but by business decisions. It is (relatively) independent. It is, therefore, a valid indicator of cross-border business cooperation, and – in as far as changes in the economic environment influence political decisions – it may indeed be indicative of whether or not businesses influence EU integration.

When looking at the data, one is struck by one broad fact that seems to complicate the analysis: many cross-border European transactions are still transatlantic. An individual European company's most likely ally is still an American company and the extent to which

European businesses are getting involved with American companies is increasing. A study from the 1990s summarizes the situation: "Although merger activity occurs both within Europe and between Europe and the rest of the world, primarily with the US, the data suggests that cross-border merger activity is a very modest proportion of total merger activity and that most cross-border mergers take place across the Atlantic . . . Even so, cross border merger activity has increased" (Garcia and Enciso 1995). The fact that the majority of activity is still with the US does not necessarily indicate anything in particular. The US has historically been the most influential economy in the world and naturally attracts a large amount of European attention. However, the key point here is that the overall trend of international business concentration has been upward: "in the closing years of the twentieth century, all forms of cross-border economic transactional reached new heights . . ." (Dunning 2002). Europe is indeed becoming more integrated with the global economic scene.

This involvement is not just in purchases by foreign firms of European businesses. Rather, it is more common for the transaction to be in the opposite direction. "Each [European] nation's firms made more purchases of foreign firms than foreign firms made of domestic companies . . . " (Emmons 2002) The United Nations Committee on Trade and Development maintains records of global business activity. Their 2000 report on global mergers and acquisitions resulted in the data for Figure 1.

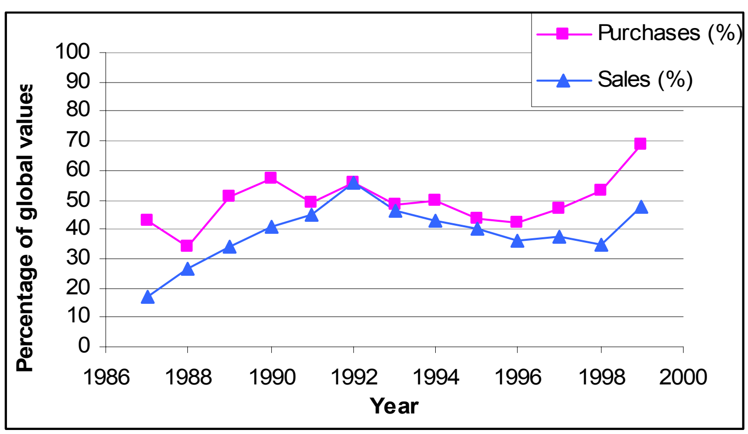

Figure 1: Purchases and sales in Europe as a percentage of global numbers. Purchases are marked by pink squares, sales by blue triangles. Data from UNCTAD.

Note that for each year, except 1992, there were more purchases made by European firms than sales of them. For 1992, the sales and purchases were equal in percentage. At no time are there more sales of European firms than purchases of foreign firms. European businesses are clearly interested in looking outside Europe and getting involved in the global markets. They are aggressively seeking ways to establish themselves around the world. In fact, "the majority of the firms involved in the world's largest cross-border mergers in recent years have been European" (Emmons 2002). The pressures and opportunities of global competition are clearly being felt. European businesses do not wish to be left out of the global marketplace and are making great efforts to be major players.

Year	World purchases by firms ($ billion)	Intra-Europe (%)
1987	32.6	24.7
1988	40.1	34.2
1989	71.4	41.0
1990	86.5	52.0
1991	39.7	53.1
1992	44.4	71.6
1993	40.5	63.3
1994	83.9	60.6
1995	81.4	45.1
1996	96.7	33.4
1997	142.1	54.0
1998	284.4	32.1
1999	497.7	51.2

Table 1: EU M&A as a percentage of world numbers. Taken from Dunning 2002.

In terms of recent trends, Europe has had its own peaks and valleys in the global market. The percentage of intra-European mergers and acquistions relative to world-wide purchases peaked in the period from 1992-1994. This is illustrated in Tables 1 and 2. Dunning (2002) continues to assert

UK companies acquiring EU companies

Annual Averages	Value (£m 1995 prices)	% of total worldwide
1986-1987	1680	11
1988-1991	3741	19
1992-1995	3586	32

EU companies acquiring UK companies

Annual Averages	Value (£m 1995 prices)	% of total worldwide
1986-1987	1561	37
1988-1991	3146	29
1992-1995	2826	41

Table 2: Percentages of EU-UK mergers and acquisitions. Taken from Cosh and Hughes 1996.

that "European firms [were] internationalizing their activities to a greater extent than their counterparts from most other countries; . . . [and] that this expansion occurred mainly through M&As." Mergers and acquistions are, therefore, a very valid indicator of European activity – and illustrate just how fast European businesses entered and how strong European businesses have become in the global marketplace.

Cosh and Hughes (1996) illustrate this trend from a UK perspective. They show that there is a peak in activity in the 1992-1995 time period. Their numbers are, admittedly, an average over the time period. However, the data still points to this peak in the 1992-1994 time period. The data also supports the claim that EU (non-British EU, that is) companies buy more UK companies than UK companies buy EU ones. This peak in 1992-1994 notably occurred after the signing of the Treaty on European Union (Maastricht Treaty) and as new countries applied to join the European Union. It occurred at a time when businesses were increasingly looking outside of their home countries for expansion. This does not mean that businesses stopped looking outward in 1994, however. While Dunning shows a decrease in percentages from 1994, the trend picks up speed again in the later years of the 1990s. Holmes (1998) explains that European mergers and acquisitions continued to rise: "By year-end 1997, the total value of announced and completed cross-border transactions soared to an unprecedented $194 billion, up from the previous record of $116 billion in 1996." The trend of increasing global mergers and acquisitions increased through the rest of the decade, and into the 2000s.

European companies are primarily concerned with dealing with one another. Dunning (2002) asserts that "the greater part of their [European countries and firms] FDI-related activities continues to be within Europe." Just as much as Europe is increasing contacts with the rest of the world, domestic companies are increasing relations with non-domestic, yet still European, ones. There was also a peak in 1989. Graphically, this is illustrated in Figure 2. It is important to note again that Figure 2 illustrates acquisitions from a UK perspective. It is, in essence, a case study illustrative of the trends of the whole. The two charts detail the acquisitions by and of UK firms in the time period 1986-1995. The bottom area of each chart is acquisitions by and of European Union firms. By this point in time, the European Commission was keeping records on just cross-border ventures. According to these records, "cross-border activity rose during the 1980s and peaked in 1989" (Cosh and Hughes 1996). This peak was followed by a recession in the early 1990s (Garcia/Enciso 1995), to be quickly followed by a boom in mergers and acquisitions in the late 1990s. The loss of pace in the early 1990s can be explained as a result of the slow-down in world economic growth (Dunning 2002), and so is not necessarily indicative of a loss of interest by European firms, but a loss of ability due to worldwide factors. Another graphical illustration of the decade's trends in European mergers and acquisitions is shown in Figure 3. It shows the number of notifications to the European Merger Control – that is, the number of businesses which wished to merge. This is perhaps a more important number than the number which actually did, as it shows a desire to work across borders, as opposed to only showing those

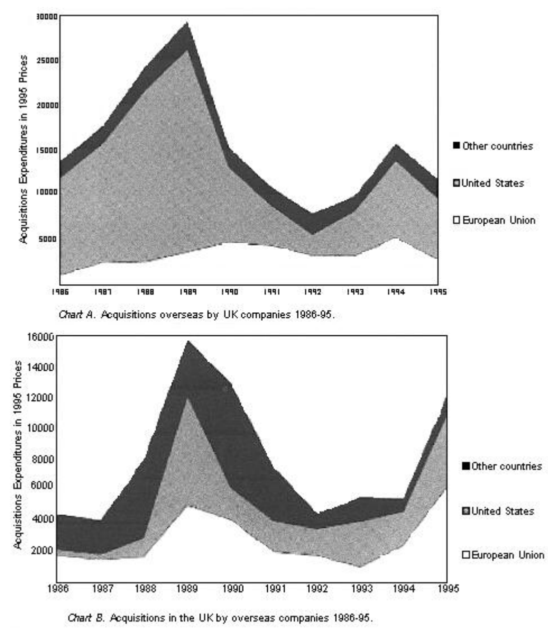

Figure 2: The top chart illustrates acquisitions of overseas companies by UK companies from 1986-1995 in 1995 prices. The bottom area of the chart is the line illustrating the acquisitions of EU companies by UK companies. The bottom chart illustrates acquisitions of UK companies by overseas companies in the time period 1986-1995 in 1995 prices. Once again, the bottom area of the graph illustrates acquisitions in the UK by EU

companies which succeeded in their merger endeavors. There are also a number of big firm mergers and acquisitions that took place over the course of the decade. Six such acquisitions are shown in Table 3. The firms represented come from a variety of sectors and countries, all still within the EU. Some of the acquisitions are between countries that one may not typically expect to work together – showing that businesses are working across culture and across language barrier

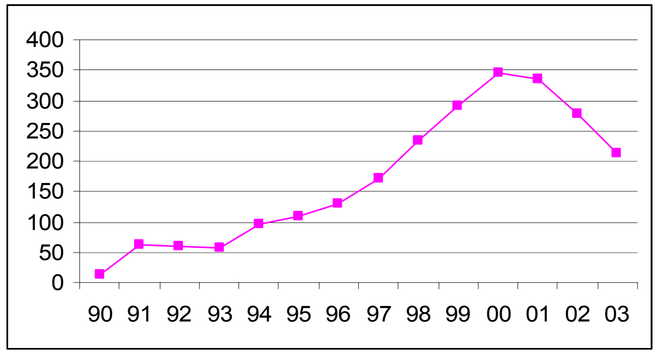

Figure 3: Number of merger cases notified to the European Commission merger control, 1990-2003. From Directorate-General for Competition.

Year	Privatized firm	Value of Acq. $bill	Country	Acquiring firm	Acq. Country
1993	ASLK-CGER Insurance	1.1	Belgium	Fortis Int'l NV	Netherlands
1994	Nobel Industries Sweden AB	3	Sweden	Akzo NV	Netherlands
1994	Cellulose du Pin – Paper and Pkg	1	France	Jefferson Smurfit Group PLC	Ireland
1997	Retevision	1.2	Spain	Investor Group	Italy
1998	Telekom Austria	2.4	Austria	Telecom Italia SpA	Italy

Table 3: Recent big-value acquisitions within Europe. Data from Dunning (2002).

Mergers and acquisitions remain a large part of European economics. Intra-European mergers and acquisitions are growing, becoming an integral part of the European economic landscape. "Between one-third and one-half of cross-border acquisitions within the EU have EU companies as acquirers" (Cosh and Hughes 1996). This is a huge improvement over past years, in which European companies looked solely outside Europe to expand. This is most clearly illustrated in the case of the United Kingdom. There, the data show "30-40% of overseas acquisitions of UK companies having EU acquirers. This is in marked contrast to the 1970s and early 1980s when EU companies represented only about one-tenth of foreign acquisitions in the UK" (Cosh and Hughes 1996). European companies are looking to the UK as a new market in which to expand. The phenomenon is not unique to the UK, but occurring across Europe as a whole.

It has been shown that European companies are increasingly globalizing, and increasing their intra-Europe connections in the process. What does this have to do with politics? The answer is suggested by Howell (2002): "Changes in the EU are market driven . . ." If the markets are changing, the European Union must change as well. Emmons (2002) rephrases this concept more succinctly in stating that "European mergers and acquisitions are headline news and, indeed, these transactions have the potential to transform the structure of many European economies and industries rapidly and radically." Changes in business leaders' ideology is not an accident. It is also not coincidental that the peaks and valleys explained in this section occur when they do. In fact, the increase through the late 1990s, not surprisingly, leads up to the introduction of the Euro and the final phase of European monetary integration. The peak in 1992 is conveniently the same year as the Treaty on European Union and leads up to the expansion of the EU to include Austria, Finland, and Sweden (whose Treaties of Accession were signed in 1994). The peak in 1989 occurs one year before the Schengen agreement was signed (June 19, 1990 by the Benelux countries, France, and Germany, November 27, 1990 by Italy; eliminating border checks) and two years prior to when the European countries agreed upon the European Economic Area. There seems to be a correlation between merger and acquisition activity and big integration events in the European Union.

However, the preceding statement does come with a bit of a caveat. When looking at the data presented above, one may come to the conclusion that there is no correlation. In fact, one may look at the data of global involvement and conclude that since economic indicators typically come some time before the political outcome, the peak in 1992 means nothing. Andrews (1999) illustrates one of these opposing viewpoints. The contradictions are primarily the result of the fluid nature of numbers. Andrews states that cross-border mergers are not on the rise, but are becoming less prevalent in Europe. This argument is based on the reduced rate of M&A in the late 1990s, an overall trend that does not match the upward trend of intra-EU M&A. If one takes a somewhat larger time period than Andrews, it is possible to see in the overall M&A data a trend that leaves the level of cross-border consolidation higher at the end of the 1990s than it was a decade earlier. Both data on intra-European M&A and at least a decade long look at overall M&A point to some correlation between cross-border ventures within Europe and political integration. The causal nature is explained in the next section.

Lobbying

Lobbying the government has always been seen as a critical way in which individual actors can change the governance system. These individual actors can range from a single citizen, to a citizen's group, to a professional group, to business associations. In the case of business associations, the lobbyists are likely to act if they feel they can change the political landscape when it comes to economics. Since the 1950s, there has been much discussion over the role of businesses in furthering political integration – especially when the integration was economical in nature. The theory of functionalism asserts that different social and cultural institutions and movements are interdependent – change one, and the others will change in synchrony. Fligstein and Sweet (2002) explained this theory as it relates to economics and politics: "For diverse reasons, an increase in economic exchange causes actors to push for more rule making and more state capacity to govern." If economic exchange increases, then those very economic actors will push for increased state governance. This applies directly to theories of integration in the European Union. It was assumed by Jean Monnet that this functionalist strategy was the best way to encourage political integration. He therefore encouraged business cooperation to encourage political integration. The increase in economic exchange was indeed followed by an increase in political cooperation. Marginson and Sisson (2002) take the theory one step further, by stating that "the need for regulatory innovation reflects growing social and economic complexity itself stemming from the twin processes of differentiation and interdependency." This interdependency is the cross-border business cooperation that was illustrated in the previous section. The regulatory innovation reflects a need for new governmental bodies above and beyond national ones – the European Union. The specifics of this interaction have been laid out by Cosh and Hughes (1996). They state that "the growth of the intensity of cross-border acquisitions imposes strains on the corporate governance structures and institutional arrangements in each country. Policy makers are forced to consider the consequences of these changes at levels that go beyond their national bureaucracies" (Cosh and Hughes 1996). The increase in cross-border interactions indeed causes businesses to need rule-making at a higher level. The national governments must think in broader terms in order to meet the need of their growing business actors.

So, how does the business community tell the government what it needs? The answer lies in lobbying. In fact, in the case of Europe, a mechanism for this lobbying has been in place from the start. "At the very outset of what is now known as the European Union (EU), the founding fathers recognized the "logic" of interest group involvement in the European public policy-making process" (Mazey/Richardson 1999). Interest group involvement, including that of leading business professionals, has been at the center of European Union activities from the beginning of its development. Pathways for communication between business and government were quickly formed. "All accounts of European integration acknowledge the importance of input by business interests to the everyday politics of the EU, and to some accounts the relationship between these and the European institutions are central mechanisms of integration"

(Greenwood and Webster 2000). For business, the specific target was historically the Commission. Euro-politicians, as EU politicians were called, were specifically interested in having "powerful interest organizations negotiating with Community officials and each other" (Streeck and Schmitter 1991). The pathways were open and politicians wanted to see businesses get involved. The desire was not solely a one-way street, however. Businesses were keenly interested in getting involved in the political game – even before other potential interest groups locked on to the idea of lobbying the burgeoning European government. These businesses were the first groups to devote the necessary resources to lobby the EU in order to create positive situations for themselves (Mazey and Richardson 1999). Indeed, businesses saw many advantages to getting involved in European-level politics while not neglecting politics at the national level. "The incentive structure was twofold. First, European regulations could have an adverse effect on interests. Secondly, as always, the introduction of new regulations was also an *opportunity* to be exploited to the disadvantage of others" (Mazey and Richardson 1999). Not only was business given the opportunity to help itself, but also to hurt the competition. Nothing could have been more appealing to the business community at a time in which they were looking to develop beyond their national borders and increase profits.

Businesses certainly became involved at the European level, but they did not ignore the opportunities at the national level. Additionally, there were many ways to get involved at each level. The options were (and are) countless. No matter how many different ways there were to get involved, however, it is difficult to claim that businesses simply were not important lobbyists (Greenwood and Webster 2000). Businesses (and their respective heads) were looked upon as important experts in the field, and therefore relied upon to give advice to the government at the

European level just as they had historically been relied upon at the national level. "Similar EU institutions have had to draw upon business associations, among a wide range of bodies, in order to draft and implement new policies and directives in an efficient way. . . This has created an environment of information exchange, influence, lobbying, and representation within which it can be expected that associations should become important players" (Bennett 1997). Associations have indeed become important players at the European level, just as they had been at the national level for many years before. They are relied upon by the European government as experts in their respective fields as well as to give the opinions of some of the largest economic actors in Europe.

Lobbying the EU today is a complex matter. There are three distinct branches of the government, and multiple ways in which to access each of them. European lobbying is, indeed, a multi-strategy, multi-venue, and multi-level process (Mazey and Richardson 1999). Bennett (1997) lists each route a business may take to influence the European government:

> First (I) a *direct route* – is an option for large companies, particularly larger ones, and even ones not based in the EU, which can seek to negotiate directly with European institutions . . . This process can occur through two further routes: (ii) a *national route*, whereby national business associations either lobby European institutions directly or lobby their national governments in order to influence the response within European technical communities by national civil service officials and ministers; or (iii) a *European route* whereby businesses either join European business associations directly, (which is uncommon) or national business associations work with each other, merge to form "Euro-groups", or join European federations of associations (which is by far the most common European phenomenon).

Businesses are faced with the important decision of who and how to lobby. There has historically been one primary target of business lobbying, however – the Commission. Most literature on EU business lobbying focuses on that branch of European government (Bouwen 2003). The Commission of course publicly welcomes input from anyone involved in Europe.

However, there is a direct preference within the Commission "for encompassing European level associations [which provides] an incentive for associations to continue to embrace a diversity of interests" (Greenwood and Webster 2000). Lobbying organizations are encouraged to include businesses and interests that cross national borders. Businesses themselves are more likely to be heard by the Commission if they represent multiple nationalities. Clearly, it helps to be heard if one is the result of a cross-border transaction.

A glance at the current landscape of business lobbying of the European government shows that business associations are strong, and growing. As of 2000, "a composite of seven recent Directory listings, . . . suggests there are 914 formal business associations (of a total 1347 of EU level interest groups of all types) and 247 transnational firms with government relations offices in Belgium (339 in all EU locations)" (Greenwood and Webster 2000). The large numbers involved in Euro-lobbying implies that businesses play an important role – if they did not, they would not designate the substantial resources necessary to stay in Brussels. Business associations allow all businesses the ability to have their opinions heard in matters of the government (Bennett 1997).

The European government relies on the opinion of its citizens via interest groups and national desires to create new policy. In the same manner, it relies on the opinions of business professionals to create new economic policy. The process is called *consultation* and is achieved in many different ways:

> in formal consultation exercises where policy proposals are sent out to all relevant groups for their comments; in conferences and workshops which bring the affected interests together; in specialized advisory committees (both permanent and ad hoc); in daily meetings, often at the request of groups, between Commission officials and interest group representatives permanently based in, or visiting, Brussels; and, of course, via

> correspondence and telephone conversations between groups and Commission officials. (Mazey and Richardson 1999)

The Commission employs all of these methods to receive the opinions of its business leaders, actively seeking them out and listening to what they have to say. These opinions usually contain desires for friendly regulatory environments for themselves and their interests. EU legislative lobbying and consultation have become the main method by which businesses ensure for themselves a friendly environment (Bouwen 2003). European businesses demand new, friendlier regulations, and the European government listens and reacts accordingly.

Business lobbying clearly exists and is an essential way in which business ensures regulations with which it can agree. The question, however, of whether European regulation preceded European-level interest intermediation or vice versa is a difficult question to answer (Mazey and Richardson 1999). That question is much like answering the age old chicken and egg debate. However, the effects of each on the other at the present time can be determined. "For example, the EU has often been characterized as reflecting a business agenda in the 1990s, by which is meant that business interests decided the pace and direction of European integration and secured for themselves many policy benefits to the disadvantage of others" (Mazey and Richardson 1999). Business interests were clearly most important at that time period, and businesses helped determine the direction and scope of government regulations. There is a specific example of this phenomenon in Cosh and Hughes (1996):

> A particularly trenchant expression of this view was provided by a UK Minister at the Department of Trade and Industry who, after noting that four out of every five takeovers in the European Community occur in the UK, wrote "The Government is keen to secure the removal of unnecessary barriers to takeovers throughout the EC and to extend the benefits of open and efficient markets throughout the communities . . . Many companies have told me of the difficulties they experience in finding acquisitions in Europe. It is time governments acted."

This UK minister publically stated that the British government needed to act in response to the needs and desires of its business community. At the European level, The European Economic and Social Committee (ECOSOC) was set up specifically to hear the needs of business. Clearly there is an effect by business on regulation.

There is an effect in the opposite direction, as well. Mazey and Richardson (1999) highlight how business lobbying has increased since the signing of the Single European Act (Maastricht treaty). Mario Monti (2002) recently announced the successes of merger activity with relation to the creation of the EU's merger regulation (see also Figure 2 above).

Of course, there are opposing views to the inter-relatedness of business interests and government regulations. There are those who believe that businesses either are not coming together, or otherwise only come together once the government has already acted – there are no business organizations pushing government to act (Mazey and Richardson 1999; Streeck and Schmitter 1991). There are explanations for this point of view, as well. As explained earlier, there are many pathways to lobby the European government. Those that believe businesses are not coming together are likely taking a look at one individual path, and not taking the others into account. This is easy to do, but give an inaccurate picture of the lobbying landscape. Certainly it is easy to see as well that businesses react after government has already acted. However, there are specific examples of those times in which business actions cause the government to react accordingly.

One such example is in the case of the European Community Patent. The patent, which was agreed upon by EU leaders in March of 2003, was the 30 year old dream of business leaders across Europe. Business leaders had seen their inventions be stolen by companies just across the border in the new European Community. Relaxed economic regulations meant that they could not prevent such pirated material from crossing back into their region and therefore undercutting their business. A temporary solution in the European Patent system was provided, but this was a costly system. Business leaders wanted one patent that would work for all EU countries and that would be more cost-effective than the current system. The business leaders led the push, and the EU government listened, and a new patent system was approved. Business leaders also led the charge to new areas of European Union responsibility and integration. One small example is the case of the current proposed European Constitution. The British are holding back on the treaty, belatedly trying to insist upon changes to create a common EU energy policy after a large push from big oil companies (Charlemagne 2003).

A final example of business causing government to react is in merger policy reform. The new policy is set to go into effect with the enlargement on May 1, 2004. The current system is designed with business in mind, helping to facilitate industrial restructuring. Most importantly for this study, it has "provided a "one-stop shop" for the scrutiny of large cross-border mergers, dispensing with the need for companies to file in a multiplicity of national jurisdictions" (Monti 2002). The regulation also sets a specific, tight schedule so that mergers may proceed or be stopped within a reasonable period of time. The soon-to-be old regulation is already designed to be business-friendly (and was likely written with the help of business professionals). The review itself is the outcome of a review program that included input from business professionals as well as community members (Monti 2002). Increasing the amount of business involvement in merger control, the decision-making process will include the use of an independent peer review panel, allowing business professionals themselves the right to speak up in defense of or to attack potential mergers. Future mergers will be subject to the scrutinizing eyes of government officials and business professionals. Businesses are increasingly involved in the Commissions decisions, at their specific request. These changes would likely not have come about had business professionals not stepped up to the Commission and had their say.

Europe-wide business associations exist and are prevalent in the European lobbying process. There is a propensity by the Commission to deal with multi-national businesses and groups. The European government as a whole sees, and has historically seen, the importance of listening to business professionals in making policy decisions. There are opposing points of view, but the preponderance of the evidence leads one to see that businesses do in fact influence government decisions in important ways.

A case-study: The European Round Table of Industrialists

It has been shown that intra-Europe mergers and acquisitions are on the rise, and that businesses use their access to the European government to their advantage. What has not been fully demonstrated, however, is how these two aspects of European politics and economics inter-relate. The prevalence of inter-Europe cross-border business cooperation brings to the political table a perspective which is pan-European and therefore encourages the national and international governments to think in the same way. In 1995, Maria Green Cowles wrote an article titled “Setting the Agenda for a New Europe: The ERT and EC 1992.” In it, she detailed the work of the European Round Table of Industrialists (ERT) in furthering the move towards European integration. It is an interesting case that deserves to be reviewed against the background of cross-border consolidation and lobbying described above. What follows in this section is a summary and analysis of that article as a case study in relation to this study at large.

In 1982, Pehr Gyllenhammer, the CEO of Volvo, identified a need in European business – the need to cooperate with other businesses in one's field across national borders in order to complete in the global market. Through both public addresses and published opinion articles in business publications, he called upon European industry to "play an active and important role in the formulation of the industrial strategies for future growth," noting that "cooperation on a European level would be necessary." He gathered prominent business executives together from many European nations and created the European Round Table of Industrialists (ERT). The ERT strategy was to offer a "new Europe" – one that could effectively develop and market high technologies, one that could create jobs through wealth creation, one that could compete successfully in the world market. Their ultimate goal was to relaunch Europe with industrial initiative. This was a group that was formed with pan-European interests in mind, and pan-European representatives at the table. In June 1983, after having established themselves as a legitimate body in the business world, the ERT began to lobby national governments. They called on political leaders to revamp public policies for European private investment, end subsidies to obsolete industries, develop common standards, deregulate public markets in technology-intensive areas, and facilitate European merger and acquisition laws. The industrialists also appealed for the modification of regional and social funds and the Common Agricultural Policy in order to address the economic challenges of the 1980s. The core of the ERT plan, however, was to promote a unified European market. The ERT wanted the national governments to work together towards this economic goal that would help business. Industries would be helped by a unified market and, recognizing that, began to ask the European and their individual national governments for it (Green Cowles 1995).

Green Cowles focused on France as the target of the ERT's lobbying efforts. She explained that France became the target because the group, having a number of prominent French businessmen, had easiest access to that government. In terms of Bennett's (1997) routes to lobbying outlined above, the ERT followed a national route (the second route) initially. As a result of this lobbying to the French government, "the proposals of the French government's industrial initiative in September 1983 largely reflected the ideas discussed in the original ERT memorandum, and forwarded in private meetings by the ERT" (Green Cowles 1995). The ERT effectively influenced the French government to propose its viewpoint to the European community in 1983. In doing so, the ERT was able to advance its ideas to the European community through one of the more powerful members of the community at that time. The group was perceived as powerful, and (perhaps more importantly) wise and worth listening to. The strategy the ERT used in lobbying the French government was subsequently used by the ERT throughout Europe. They chose to utilize the national route to the European government, and they utilized it with the best of their collective ability.

In 1985, the ERT furthered its cross-border business initiatives through the formation of the first European-run venture capital group, Euroventures. The group created a pan-European network of funding, with an initial capital of $30 million, that encouraged cross-border business ventures. The ERT did not forget its business roots, and further entrenched itself as an important body in the European business world through the formation of Euroventures.

As time passed, the method of lobbying used by the ERT began to change. The European Community government was growing stronger, and the ERT began to see the usefulness of lobbying it directly. They moved instead to the direct route described by Bennett (1997). A practice was begun in the early days of the ERT that continues to this day, namely meeting with senior government officials of the current Presidency, usually including the head of state or government, to discuss the ERT's suggestions and concerns regarding developments and overall strategies of the European Community. The ERT also began speaking directly with officials in Brussels. Their position in the European market, established through a strong cross-border alliance and Euroventures, made them a group with which European officials in Brussels could work and rely upon to give expert advice on economic needs in Europe. The ERT showed its strength through getting busy officials to listen to them – a practice which continues to this day.

Green Cowles attributes one amazing thing to the ERT. In January 1985, "Wisse Dekker, CEO of Philips, unveiled a plan, "Europe 1990," before an audience of 500 people including many newly appointed EC Commissioners. In addition to providing a precise agenda, the paper introduced a number of new conceptualizations of what a unified European market might entail" (Green Cowles 1995). Green Cowles observes that this speech, and the resulting paper, practically single-handedly relaunched the stagnant single market effort in Europe. While the ability of the ERT to alone do such a thing is questionable, their effect in bringing it back to the limelight is not. This speech illustrates just another way in which the ERT brought its ideas and desires to the forefront of European policy-making. The fact that European political leaders, in conjunction with pressure from other sources, took the ERT plan to heart and reinstated the push towards a single market is not in question. This just illustrates one more way in which a pan-European group came together and made its desires known to the European community, only to have the European government listen and implement its ideas.

Conclusion

The case of the European Round Table of Industrialists is just one of many instances of businesses coming together and influencing the shape of European politics. Through collective action, European business has learned that it can change the political landscape in which it exists. This lesson has caused business to become increasingly active in lobbying the European government, especially the Commission. Businesses gather together in lobby organizations in order to get their point across. The bigger companies use their international connections to get an audience with European officials. These international connections are brought about through professional meetings, trade associations, joint ventures, and mergers and acquisitions. The easiest of these to quantify and track are mergers and acquisitions. These are indeed on the rise in Europe, and seem to rise prior to many major European political events. When all this information is put together, it implies that businesses come together on the international stage and push their national governments for broader regulation, causing the national governments to become increasingly inter-linked and inter-dependent.

Of course, this is only one branch of the integration story. It must be noted that there is documented proof of influence reaching in the other direction. Government officials do indeed work with international counterparts, and in so doing encourage their national businesses to work across national borders. Once these businesses work across borders, they ask their governments for more European-level regulation, causing the national officials to work more closely together. Thus continues the cycle of integration. It is a nearly impossible empirical question to determine which single event came first – government or business international cooperation. However, both exist and together they form the cycle which will push Europe towards an ever-closer union.

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