

THE IMPACT OF ECONOMIC INTEREST GROUPS
ON EUROPEAN INTEGRATION

by

HAROLD THOMAS FIELDS, JR.

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Approved by:

A handwritten signature in dark ink, appearing to read "H. Pierre Secher", written over a horizontal line.

H. Pierre Secher

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Chapter 1

INTRODUCTION

The evolution of the European Community has presented political scientists and students of the international system with a problem of enormous magnitude and great potential for ultimate world peace. In an era marked by global hostility and the ever-present spectre of nuclear genocide, traditional enemies, located in a geographical region which has provided the setting for some of the bloodiest conflicts of history, have ceased preparing for war against each other and moved dramatically forward towards an European polity--the dream of past conquerors. The move has occurred not through force of arms but through regional integration, a peaceful process whereby political actors in distinct national settings are persuaded to shift their loyalties, expectations, and political activities toward a new center whose institutions possess or demand jurisdiction over national states.¹ Political actors, in this instance, can be defined as elites or leaders of all relevant political groups who usually participate in the making of public decisions, whether as policy makers in government or policy influencers, such as lobbyists or political party spokesmen.

The above definition of integration was selected after a substantial amount of thought since a great deal of controversy has existed among scholars as to what conditions constitute integration. Concepts on the subject vary from the ideas of Karl Deutsch who defines integration as "the attainment within a territory of a 'sense of community' and of institutions and practices strong enough and widespread enough to assure dependable expectations of peaceful change among its population over an extended time frame" to the federalist viewpoint of Altiero Spinelli and others in which the nation-state is ultimately replaced by a regional polity possessing total supreme authority.² In the opinion of the author, both of these definitions fall short in that they attempt to describe integration as a particular end condition. This type concept tends to promote absolute judgments as to whether a given state or region is, or is not, integrated. Since all political communities are more or less integrated, it is the scholar's problem to determine the degree and direction of the process rather than making arbitrary and unproductive judgments concerning an end condition. This line of reasoning has persuaded us to opt for Haas's definition since it incorporates the concept of an integrative process rather than a specific end.

ECONOMIC INTEREST GROUPS AND EUROPEAN INTEGRATION

The course of European integration has been a complex process with many factors exerting forces that have either

assisted or impeded the movement. Out intent in this paper is not to describe or analyze all forces involved, but rather to assess the impact of a given group of political actors, economic interest groups, upon the integrative process. As used in this paper "economic interest group" will refer to those groups involved in the functional sectors of industry, agriculture and labor, which, on the basis of shared attitudes and concerns, make certain claims upon other groups in society for the establishment, maintenance or enhancement of forms of behavior implied by these shared attitudes.³

Interest groups have been particularly significant to the course of European integration since the Community is primarily a creation of elites and its clientele tends to be restricted to officials and group leaders who are directly affected by its work.⁴ This is not to say European populations are not influenced by the decisions and activities of Common Market agencies. As we shall see in our studies of agriculture and labor, the decisions of the Community have a profound effect on the lives and fortunes of literally millions of Europeans. But here it is simply pointed out that both the day-to-day activities of the Common Market and the expansion of its functions have largely occurred in a "zone of indifference" in which the public is either unaware or apathetic toward the process. The aura of economic well-being which has pervaded the continent since the 1950s has resulted in consistent popular support for the cause of European integration among mass populations.⁵ Still, thus

far no surging torrent of symbol motivated emotional involvement has characterized the process. Support for the European Economic Community (EEC) has been utilitarian in nature with farm, business and labor leaders turning to community institutions as a method of attaining positions favorable to their perceived interests.

What has been the effect of interest group activity on the integrative process? This question has also aroused a substantial amount of controversy among students of integration. The neofunctionalist theory of integration, typified by Ernst Haas, has maintained that interest groups strengthen regional ties by pursuing their aims across international boundaries and by demanding expansion of the regional organization's sphere of influence in order to gain benefits beyond the capacity of national governments.⁶ This theory has recently been challenged by Robert J. Lieber, an advocate of a revised neofunctionalist approach he calls the group politics theory. Lieber hypothesizes "If interest groups influence policy formation, then progress towards integration is likely to be impeded."⁷

Although the above concepts appear to be incompatible, they may be amalgamated into a workable hypotheses. Both theories refer to interest group activities during a specific phase of the integrative process. Lieber is concerned with the effect of national interest groups upon policy formation prior to entry into a regional organization. Haas, although he refers to interest group attitudes and

activities prior to integration, primarily analyzes their impact following national entry into a community. The author's belief and the major theme of this work is that the effect of economic interest groups upon regional integration will vary according to the phase of the integrative process being considered and the functional field they represent. An interest group may be relied upon to operate primarily in the milieu in which it can employ those tactics which have been successful in the past. Once the group has established access to given political institutions where it is operating at an advantage it will exert tremendous efforts to retain its influence.⁸ Therefore we may anticipate that the loyalties, expectations and political activities of interest groups towards various forms of political authority within a regional polity will vary according to their perceptions as to the best means of attaining their goals. A group with significant influence within a national setting will not normally favor initiating the transfer of sovereignty to a regional entity. It will also attempt to gain its ends vis-a-vis the national government rather than turning to regional agencies.

"SPILLOVER"

This paper will also investigate the concept of "spillover". Spillover refers to the expansion of tasks and authority of Community institutions from one field or sector to another as activities within one area create a

need for supranational regulation in another. The neofunctionalists have maintained that economic integration within a region leads to political integration as the activities of community bureaucrats create new demands on community institutions.⁹ Economic integration refers to activities conducted in the relatively noncontroversial functional areas of community life where authoritative decisions are not made by political elites. Political integration refers to activities in controversial areas involving the adjustment of national and economic interests by political authorities.¹⁰ Thus political integration may often deal with economic matters.

Our analysis of the association of economic and political processes upon integration is intended to support the hypothesis that spillover in a community tends to proceed from political integration to economic integration within the various sectors. In other words, increases in either the scope or capacity of community institutions come as a consequence of political acts between governments rather than a result of economic interest groups bypassing national political structures in favor of a supranational institution. This does not mean that interest groups have a minor effect on the integrative process. In the following chapters it will be shown that the success of political integration is dependent upon legitimation by increases in functional integration which in turn creates a climate conducive to additional political moves toward a

supranational entity. Furthermore the expansion of functional activities across national boundaries may to some extent nullify the impact of negative communications emitted by national actors. These activities, however, are supportive in nature rather than initiative. Integration, if it is to succeed, will come only as a result of long-range, high-level political decisions and activities.

METHODOLOGY

In order to test the preceding contentions it is necessary to employ a model which lends itself to some form of measurement relevant to the integrative process.¹¹ The impact of economic interest groups upon integration is determined by the attitudes and activities of the membership and leaders who compose them. Therefore the author has opted to employ a cybernetic model based upon the conviction that all organizations and relationships between them are dependent upon communication. Communication will be defined as any act or message that is capable of being transmitted either intentionally or inadvertently by an actor(s) in a given system and received by other relevant actors. These acts or messages may affect the actions or attitudes of other actors who perceive them depending on the time and context in which they are received and their anticipated impact upon interests of the various recipients. By comparing and interpreting trends in the frequency, channels and intensity of transaction flows between interest groups,

national governments and community organs over a given time period, we should be able to ascertain the scope, depth and direction of the integrative movement within the European Community.¹² The analysis of communicative patterns uniquely defines the degree of legitimacy accorded various acts of the supranational entity under consideration. As we shall see, passing a regulation or creating an agency may superficially increase the degree of integration existing within the Community. However, that increase in Community authority is only legitimized when it is accepted by the affected clientele. The acceptance or rejection of new integrative measures will be shown by variations in the density of communicative patterns in affected sectors.

The integrative process will also be affected by the attitudes of client groups operating within the Community. How an action of a national government or community agency is received and acted upon by its client group greatly depends upon the recipient's attitude prior to transmission of the message. Therefore, explanations of variations in patterns of communication are dependent upon knowledge of how given signals are likely to be perceived and explained by the receiving actor. Attitudes may be regarded as filters which may reject, distort or alter the flow of communication between actors.

With the preceding facts in mind we shall utilize a methodological approach which examines the attitudes of interest groups before and after given integrative moves by

political actors. We shall also relate these moves to changes in transactions flows across international boundaries. If interest groups display positive attitudes towards community institutions and fellow members of the EEC and the volume of positive relations among members of the Community increase over a given time thereby creating a substantial degree of interdependence, we may conclude that integration has progressed as a result of their actions. We shall then attempt to project these attitudes and communicative patterns into the future in order to assist in predicting the final outcome of the integrative movement in Europe. This, in the final analysis, is the ultimate and most important objective of this work since the future of the entire international community is inexorably tied to the outcome of this experiment of Robert Schuman, Jean Monnet and other pioneers in the march towards European unification.

Chapter 1

FOOTNOTES

¹Ernst B. Haas, The Uniting of Europe: Political, Social, and Economic Forces 1950-57 (Stanford: Stanford University Press, 1958), pp. 16-17.

²Karl W. Deutsch and others, Political Community and the North Atlantic Area: International Organization in the Light of Historical Experience (Princeton: Princeton University Press, 1957), p. 5. Also Altiero Spinelli, The Eurocrats: Conflict and Crisis in the European Community (Baltimore: The Johns Hopkins Press, 1966), pp. 10-11.

³This definition is derived from David Truman's concept. See David B. Truman, The Governmental Process: Political Interests and Public Opinion (New York: Alfred A. Knopf, 1951), p. 33.

⁴Leon N. Lindberg and Stuart A. Scheingold, Europe's Would-Be Polity: Patterns of Change in the European Community (Englewood Cliffs: Prentice-Hall, Inc., 1970), p. 40.

⁵Ronald Inglehart, "Public Opinion and Regional Integration", International Organization, XXIV, 4 (Autumn, 1970), 773-74.

⁶Ernst B. Haas, "The Challenge of Regionalism", International Organization, XII, 4 (Autumn, 1958), 443. Also, The Uniting of Europe, pp. 318-25.

⁷Robert J. Lieber, "Interest Groups and Political Integration: British Entry into Europe", American Political Science Review, LXVI, 1 (March, 1972), 59.

⁸Truman, The Governmental Process, p. 327.

⁹Haas, The Uniting of Europe, p. 13.

¹⁰James A. Caporaso, Functionalism and Regional Integration: A Logical and Empirical Assessment (Beverly Hills and London: Sage Publications, Inc., 1972), p. 31.

¹¹Karl W. Deutsch, The Nerves of Government: Models of Political Communication and Control (New York: The Free Press, 1966), p. 16.

¹²Donald J. Puchala, "Patterns in West European Integration", Journal of Common Market Studies, IX, 2 (December, 1970), 120.

Chapter 2

INDUSTRY

In order to properly investigate the effect of a given sector upon integration, we must begin by defining what segments of the Community are included in our analysis. Industry will therefore be defined as those organizations, excluding agriculture, involved in the production and/or distribution of capital goods within the Community. We have intentionally utilized a definition which is sufficiently broad to include a variety of activities such as the extractive industries and to preclude omitting small and medium businesses. As we shall see, this is important since industrial elites must incorporate a multitude of attitudes and interests in presenting a unified position to political decision makers.

One would expect the impact of industry upon European integration to be both positive and profound for the following reasons:

1. Industry has been directly involved in the integrative process longer than other sectors being considered since the industrial sectors of steel and coal were the initial target of the Schuman Plan.

2. Industry has enjoyed unprecedented growth and prosperity during the expansion of Common Market activities.

3. Industry occupies a position of significant strength with national governments throughout Europe.¹

In the following pages we shall see that the attitudes and activities of industry in the integration process have varied in direct relation to what businessmen have perceived as best for their self-interests. We shall point out that the European Community's moves toward an increased degree of unity have indeed benefited from the participation of industrial interest groups. However, the positive effects of industry's participation have come as a result of businessmen reacting to governmental initiatives rather than any demands by industrial interest groups for an increased amount of authority for Community institutions. In short, industry has acted as a legitimizing, rather than initiating, variable throughout the history of the Common Market.

ATTITUDES

We have previously stated our conviction that the transactions and perceptions of political actors are influenced by their attitudes. Therefore we shall begin our analysis by attempting to point out the obvious disparity in attitudes existing among industrial elites before and after integrative moves which occurred as a result of governmental initiative.

The initial move towards a United Europe occurred with the founding of the European Coal and Steel Community in July 1952. The plan for a common market for coal and steel was proposed on May 9, 1950 by Robert Schuman, the French Foreign Minister. Although six countries were involved in the Community, the central issue involved control over the Ruhr Valley making Germany and France the principal states involved. Therefore, we shall restrict our initial analysis to industrialists in these two countries. The benefits to businessmen in both countries were obvious. For the French, a coke supply essential for production of steel would be assured. For the Germans, the plan would result in removal of allied control of their industry. Both sides would benefit from increased external markets.²

In spite of the above benefits, attitudes of industrialists on both sides prior to actual ratification of the treaty, although generally supportive, were less than ecstatic. The following table shows a consensus of only 70 percent of German business in favor of the merger even though it meant release from allied control.

Table 1
German Elite Opinion and the ECSC

<u>Opinion</u>	<u>All Elites</u>	<u>Big Business</u>	<u>Medium Business</u>	<u>Small Business</u>
In favor	70%	68%	73%	57%
In opposition	19	24	19	25
No opinion	11	8	8	18
Total	100	100	100	100

Table 1 (continued)

Source: Susan Keller, "Attitudes Toward European Integration of the German Elite", MIT Center of International Studies (October, 1957, multigraphed), pp. 2, 26. As reproduced in Gerard Braunthal, The Federation of German Industry in Politics (Ithaca: Cornell University Press, 1965), p. 318.

The primary source of discontent among German big business occurred among heavy industry whose interests were directly affected. Both steel and coal producers feared competition from France and Belgium and were especially leery of a lack of representation in front of an international agency. It appears that small business was also fearful of international competition while medium business looked at integration primarily as a source of market expansion. As a result of this attitude, the Bundesverband der Deutschen Industry (BDI) waited until its 1951 national assembly to issue a statement supporting ECSC membership and stated the organization should not serve as a model for further integration.³

The French, particularly heavy industries, were more radical than the Germans in opposition to ratification of the ECSC treaty. They were particularly fearful of lack of representation in front of the high authority and anti-trust and anti-cartel provisions of the treaty (Articles 65-66).⁴ Only a few weeks after Schuman's proposal, the Conseil Nationale du Patronal Francais (CNPF) made the following statement:

While the CNPF is favorable to its (the plan's) envisioned aim, it expresses the greatest reservations in regard to the proposed means. It would indeed be very undesirable if the enactment of this treaty were to reinforce the intervention of government in economic matters.⁵

In spite of industry's reluctance, the ECSC was founded as a result of political action on the part of the six original member states. After ratification of the treaties by governments concerned, the attitudes of industrial groups in both countries seem to have altered completely. The CNPF promised wholehearted support of the Community at the first meeting of the ECSC and became instrumental in moves toward greater economic integration in the European Community.⁶ The BDI, which had been less vocal than French interests in opposition to the ECSC, held a "Europe Day" in November 1952 and subsequently has been particularly active in promoting a movement for European union.⁷

The tendency of industry to be somewhat reserved concerning movement towards regional integration prior to a fait accompli by political initiative is also illustrated by the attitude of British company directors toward membership in the European Economic Community. During August 1966 when British entry into the EEC was a salient issue within the United Kingdom, a Gallup survey was taken among citizens listed in the British edition of Who's Who, asking the following question: "Do you think that Britain should or should not try to get into political association with the

other European countries?" As Table 2 shows, company directors were below the elite average and only 20 percent more favorable than the ordinary citizen.

Table 2
British Attitudes Toward EEC Membership, 1966

	<u>Who's Who Sample</u> <u>(including Com-</u> <u>pany Directors)</u>	<u>Company</u> <u>Directors</u> <u>Only</u>	<u>All Voters</u> <u>(July 1966)</u>
Approve	71%	68%	48%
Disapprove	21	22	27
Don't Know	8	10	25
Total	100	100	100

Q: Should Britain Get Into Political Association with European Countries?

Source: Gallup International, August 1966. As cited in Henry Durant, "Public Opinion and the EEC", Journal of Common Market Studies, VI, 3 (March, 1968), 242.

In case of Britain, opposition to Common Market membership seems to have centered among smaller firms and trade unions who felt they would be vulnerable to increased competition. Big businesses were generally in favor of membership, having been provided with a graphic demonstration of the benefits of membership since 1952. However, the Federation of British Industry (FBI), representing all of the business sector, was somewhat more reserved in its pronouncements of support emphasizing ties to the Commonwealth and obligations to the European Free Trade Association (EFTA). Robert Lieber points out in his book British Politics and European Unity that while the largest

manufacturers were almost uniformly in favor of full Common Market membership for Britain since 1961, the FBI continually lagged behind government initiatives in moving toward integration as a result of opposition from those firms and unions fearing unrestricted European competition.⁸

The examination of the attitude of industry toward integration in three countries shows a definite lack of enthusiasm on the part of each national federation of industry even when the bulk of businessmen seem to favor membership in the organization. This apathy may be explained by examining communication and authority patterns between the national interest group and centers of decision making and national interest groups and constituent organizations. In the case of constituent organizations, they are not bound by pronouncements of the parent organization. Constituent organizations also have access to the national government and will not hesitate to use them if statements issued by the national federation are contrary to their interests. Consequently, in order to present a unified front, a national federation will often adopt a position of compromise reflecting attitudes of small dissident factions rather than the majority of industrial opinion. Secondly, there appears to be a reluctance on the part of national interest groups to jeopardize the influence and prestige enjoyed with national administrations in order to enter into a supranational organization where influence is bound to be diluted as a result of competition with interest groups of other member states.

The change in attitude of business toward increased integration after membership is illustrated by examining attitudes of member states towards applicants into the organization. A Gallup survey among elites in five of the six EEC countries in 1966 asked the question: "Would you, yourself, like to see Britain become a member of the EEC?" More than ninety percent of company directors surveyed in the EEC countries favored British membership, six percent were opposed and three percent uncommitted.⁹ Obviously, company directors in member states view the addition of other countries to the existing organization as a source of opportunity rather than competition. The reservations existing prior to membership appear to have been completely dispelled.

Generally, industry seems to have followed a similar attitudinal pattern in each country examined. The majority of businessmen have favored governmental moves toward integration. This support has been undermined by a vocal minority who feared international competition, elimination of protective national tariffs, and loss of influence on decision making as a result of the diluting influence of Common Market membership. This opposition seems to have been eliminated or suppressed once membership has been accomplished by government initiated moves, and industry has then displayed an almost uniformly favorable attitude towards increased integration. Although we have examined only three countries, the same attitudinal pattern has prevailed in other member states. The Dutch were originally

apprehensive about possible loss of extra-Community markets.¹⁰ In Italy a fear of the monopolistic influence of large European companies caused a few industrialists to oppose integration.¹¹ Some Belgian industrialists similarly feared extinction in open market competition although the prospect of modernizing the antiquated coal industry was an attractive inducement towards increased integration.¹² The only exceptions to the rule seem to be in the case of the relatively small countries of Ireland, Denmark and Luxembourg in which industry is highly dependent on external European markets. In these countries the prospect of free trade appears to have been such an overwhelming attraction to organized business that the fears of those few businesses who might be exterminated in open market competition were disregarded.

MULTINATIONAL INTEREST GROUPS AND BUSINESS CORPORATIONS

The preceding analysis of industry's perception of integration before and after the fact of national membership in a regional community supports the hypothesis that industry favored integration. However, industry, in spite of misgivings about integration, may have facilitated governmental action by establishing extensive patterns of communications across national boundaries prior to any political moves. If this is the case, then spillover might be said to proceed from industrial to political sectors in spite of industry's misgivings. To determine the actual pattern we shall examine patterns of transnational business

communication--the establishment of multinational interest groups and of transnational business corporations--to further ascertain the relevancy of politics and industry to integration.

Our sample of multinational interest groups consists of those involved in the fields of mining, industry and commerce within the Common Market as listed in the Europa Yearbook. Scrutiny of the sample indicates a distinct correlation between political action and group formation with industry consistently responding to political action. The linkage of industry to political activity is even more evident when a detailed analysis is made of the eleven organizations formed between 1951 and 1957, the years in which the Treaty of Paris and Treaty of Rome were signed by the member states. Eight of eleven interest groups founded during this period were from industries affected by the Treaty of Paris. Analysis of group formation since 1957 does not show that any particular industry was particularly innovative in group formation. The decline of interest group formation since 1965 would indicate that all sectors of industry feel they are adequately represented in front of the Community institutions by multinational groups.

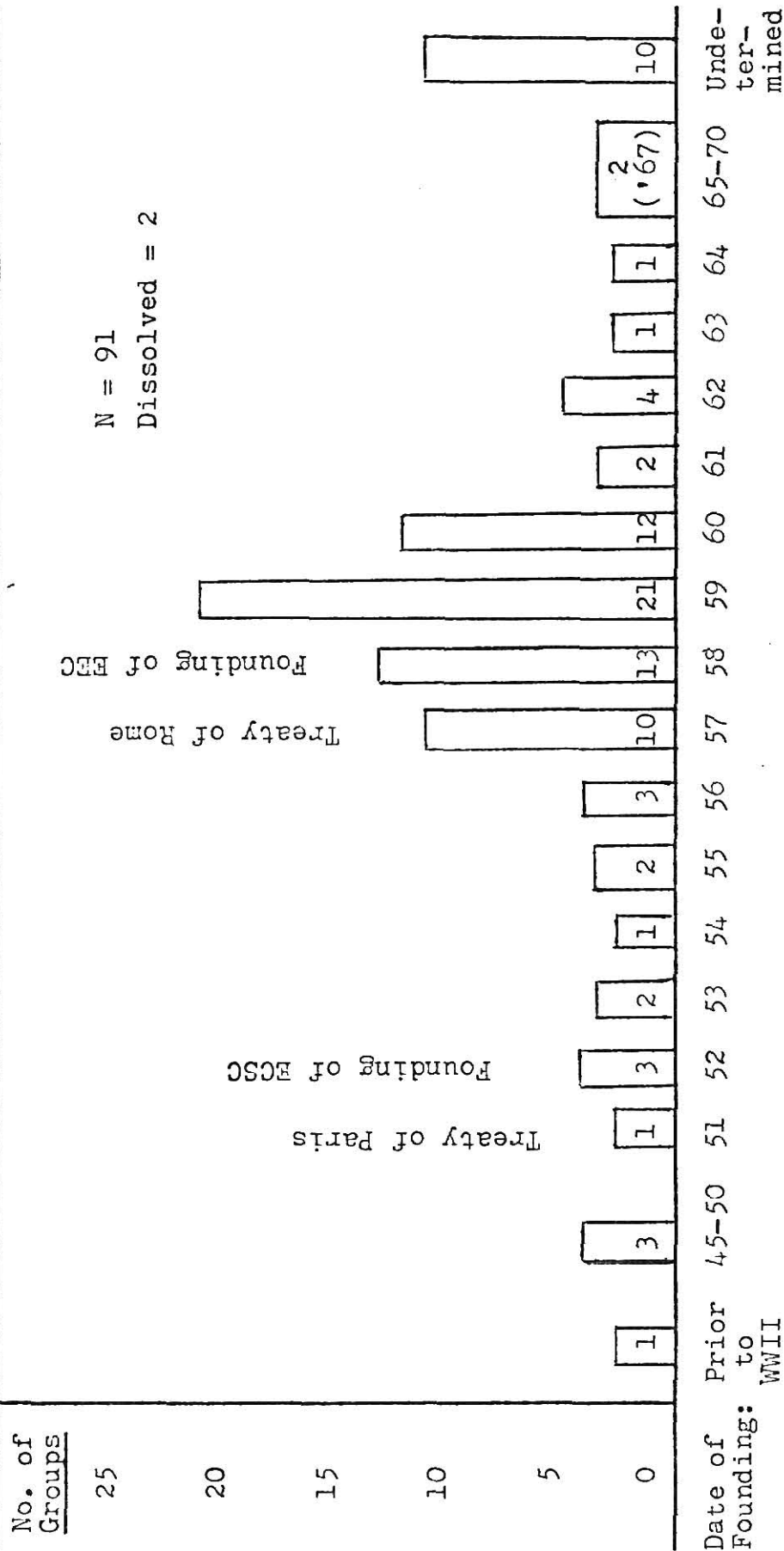
The formation of European-level interest groups has undoubtedly been facilitated by the preferential attitude of the EEC Commission toward professional associations. The Commission has attempted to involve three major actors in policy discussions: appropriate community organs, national

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Table 3

Formation of Multinational Interest Groups - Industry



Source: The Europa Yearbook 1971, Vol. 1, pp. 224-27; Yearbook of International Organizations 1972-73, Vol. 14, passim.

representatives and economic interests. European-level groups represent a consensus of economic interests since they contain representation from each involved Common Market country. Therefore, the Community has been particularly attentive to their point of view, often to the exclusion of national groups.¹³

As a result of the Commission's attitude, national interest groups have tended to channel communications to the Commission primarily through national governments with supranational groups serving as a secondary source. However, national groups may appear before the Commission in those few cases in which European groups cannot reach a consensus decision.¹⁴ Other methods of communications with offices of the Common Market by national groups are submission of reports, statistics and other materials, as well as social contacts with civil servants to exchange information about Community activities.¹⁵

The preference shown by Common Market institutions to European-level groups certainly acts as a strengthening factor in the integrative process. By forcing industries to direct communications at least partially through umbrella organizations, the Community attempts to assure a European, rather than nationalistic, point of view. Also, the fact that national interest groups direct demands to their own governments as well as interest groups in sister states assures the continued involvement of national governments in community affairs as a result of internal pressures. There

is substantial evidence that General de Gaulle's boycott of the Common Market in 1965 was cut short as a partial result of internal pressures from interest groups who were apprehensive of loss of benefits accruing from membership.¹⁶

The pattern of transnational business collaboration within the Common Market indicates the effect of high political decisions on economic integration. The term "transnational business collaboration" refers to the establishment of business ventures, either marketing or production, in which participants represent at least two EEC countries. Thus the term is inclusive of firms wholly owned by citizens of one state that are established in another EEC country as well as jointly owned ventures. This procedure enables us to work with the largest possible sample in order to better determine distinctive trends. Table 4, Intra EEC Business Participations, shows a general upward trend since 1959 illustrating the overall impact of political union on economic penetration of national boundaries. The period 1952-58 was not marked by any great rise in transnational business collaboration as a result of the strong national concentration and lack of geographic mobility of the coal and iron industries.¹⁷

Table 4

Intra EEC Business Participations										
Year:	1959	60	61	62	63	64	65	66	67	68
Transnational Business Col- laborations:	24	30	71	68	93	121	151	138	164	565
N = 1415										

Source: Werner Feld, "Transnational Business Collaboration in the EEC", International Organization, XXIV, 2 (Spring, 1970), 213.

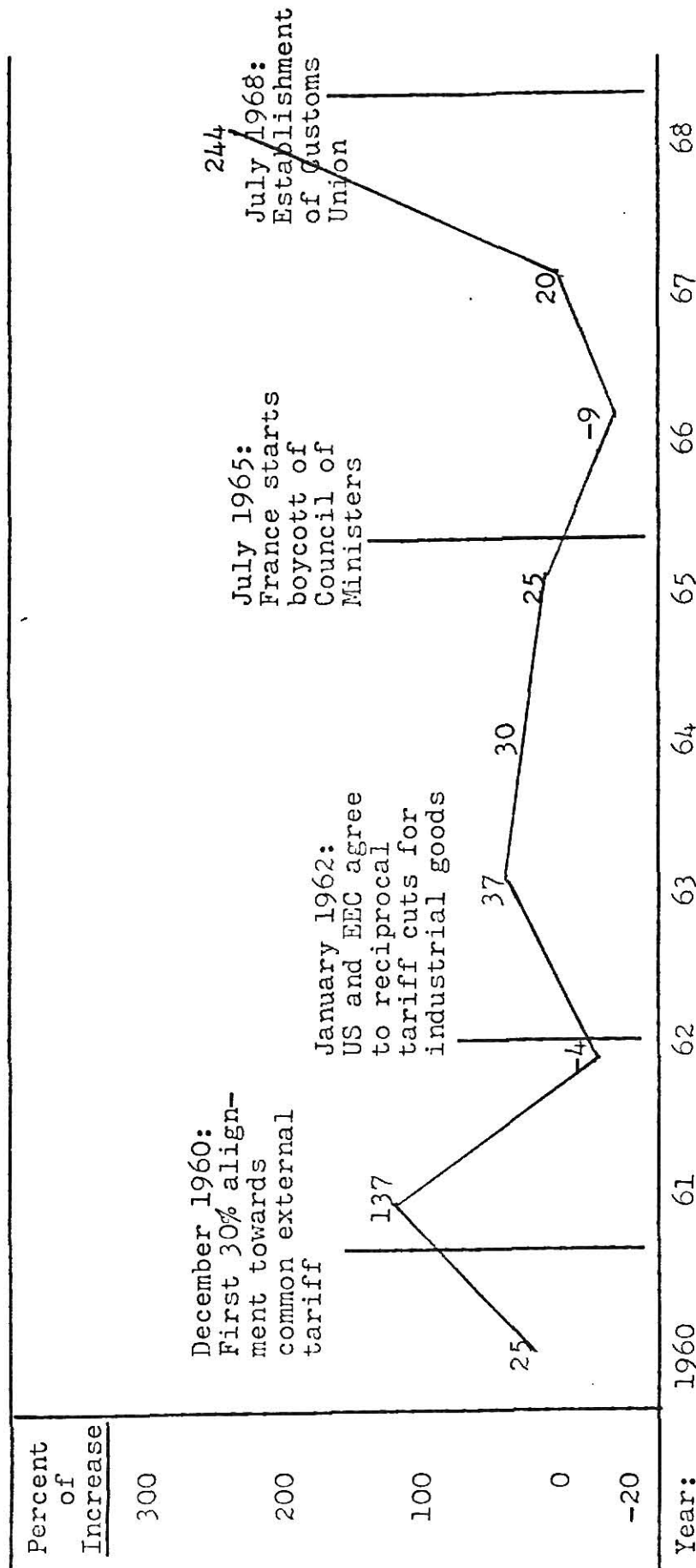
The relationship of cross border business foundation to specific political moves by national actors or the Council of Ministers within the EEC is dramatically illustrated by Table 5, Annual Percentage of Increase in Intra-Community Business Collaboration.

The marked increases in multinational collaboration in 1961 (137 percent) and 1968 (244 percent) appear to be directly related to imposition of external tariffs by the EEC.¹⁸ Protection from the competition of external imports, particularly those from the U.S., would render intra-community investments particularly attractive.

In a similar vein the EEC and U.S. agreement to reciprocal tariff cuts on industrial goods in January 1962 seems to have temporarily reversed the upward trend in intra-community investment as the spectre of increased competition from across the Atlantic became apparent to European businessmen. The significance of the above events is that negative signals toward external actors by Community

Table 5

Percentage of Increase in Intra-Community Business Collaboration



Source: Werner Feld, "Transnational Business Collaboration in the EEC", International Organization, XXIV, 2 (Spring, 1970), 213.

authorities in the form of tariffs acted as a stimulus towards increased integrative moves by national subgroups. Positive signals in the form of tariff reductions appear to have temporarily reversed the trend until businessmen could assess the magnitude of the external response to Community action. Signals toward external actors with no immediate economic effects, such as the French veto of British membership in the Common Market in 1963, showed no apparent impact on the actions of investors.

In contrast, negative political moves by internal actors towards the Community itself, as exemplified by the French boycott of the Common Market during the latter half of 1965, created a downward trend in collaboration. Since the very existence of the EEC was threatened by General de Gaulle's action, it seems reasonable to assume that prudent investors would postpone any financial ventures until the outcome of the dispute was clear.

A summarization of the impact of the EEC on intra-community business collaboration would be that it is essential for significant cross border activity. The general upward trend in collaboration over a ten-year period combined with dramatic reversals when the future of the Community was in jeopardy indicate European businessmen are extremely dependent on the political organs of the Community to insure the absence of nationally imposed trade barriers by member states and to provide an acceptable degree of protection from external competition.

POLITICS AND EXISTING ECONOMIC TRANSACTIONS

Our examination of the attitudes of corporate elites before and after integration and the initiation of economic integrative moves following political integration supports the hypothesis that spillover within a given sector normally proceeds from political to economic spheres. We shall now examine existing economic transactions in the form of imports within the EEC to ascertain the sensitivity of existing economic integration to political communications in order to demonstrate the following:

1. Functional integration provides a supportive base for political union.

2. Functional integration minimizes the effects of hostile signals by national governments by continuing existing trade patterns in spite of the negative messages.

The sensitivity of economic transactions can be determined through a variety of statistical techniques. Table 6, Trade Flows, shows absolute transaction volumes for EEC and world imports, relative acceptance indices, pre-occupation ratios and external trade indices. By combining the results of several techniques in one table we should be able to determine not only general trends but also any specific consequences of political action.

Relative acceptance indices are a means of determining the percentage by which the volume of actual transactions within a given region, or between two countries

Table 6

Trade Flows

Year	Intra EEC Imports *	Extra EEC Imports *	World Imports **	RA Index	Preoccupa- tion Ratio	External Trade Index
1955	464	1142	88,600	--	.41	.71
1956	528	1335	97,400	.04	.39	.72
1957	586	1482	119,600	-.10	.39	.72
1958	566	1346	113,700	.01	.49	.70
1959	673	1350	120,900	.12	.49	.67
1960	846	1620	135,000	.12	.52	.66
1961	976	1705	140,400	.10	.57	.64
1962	1118	1863	149,800	.07	.60	.62
1963	1311	2056	162,400	.09	.64	.61
1964	1504	2238	182,000	.02	.67	.60
1965	1701	2380	199,500	.04	.71	.58
1966	1910	2561	217,700	.02	.75	.57
1967	2014	2749	226,600	.01	.73	.58
1968	2365	2999	251,800	.05	.79	.56
1969	3028	3270	285,100	.13	.93	.52
1970	3567	3803	326,900	.02	.91	.52
* Millions of U.S. dollars per month			** Millions of U.S. dollars per year			

Sources: Statistical Office of the United Nations, Statistical Yearbook 1960, 1961, 1964, 1970, 1971. (New York: United Nations Publishing Service, 1961, 1962, 1965, 1971, 1972), passim. Statistical Office of the European Community, General Statistics, 1964, 1967, 1970, 1971, passim.

exceed or fall short of the hypothetical amount that would be proportional to the overall share of the region in the total transaction flow of the entire world.¹⁹ The RA index therefore illustrates the intensity of transaction flows among states. This intensity serves as a measure of preferential treatment within a region compared to world trends.²⁰ Table 6 shows that the intensity of trade within the EEC appears to have been relatively insensitive to political events according to the RA index.²¹ The formation of the EEC, as might be expected, causes a marked increase in the intensity of trade as does the 1968 establishment of the Customs Union. Negative acts such as De Gaulle's boycott of the Common Market in 1965 appear to have little impact. The contrast between the impact of the boycott on business formation and existing trade might be attributed to the fact that industrialists have already made their financial outlay in the case of existing trade patterns and have little option except to continue. It is also noteworthy that the RA index indicates that trade within the EEC has continually exceeded expectations since its inception. This phenomenon has undoubtedly encouraged even greater penetration of national boundaries by industry.

The preoccupation ratio utilized in Table 6 is a technique which controls for gross size effects of international trade and increases or decreases in volume of trade within an area.²² The independence of the preoccupation ratio upon trade volumes makes it an ideal vehicle

for measuring interdependence among states within a regional community. As the table shows, the preoccupation ratio is also relatively insensitive to political acts once the community has been formed. A general increase in interdependence within the region occurs throughout the period (.41 in 1955 to .91 in 1970) with dramatic change occurring only as a result of formation of the EEC in 1958 (.39 to .49) and implementation of the Customs Union in 1968 (.79 to .93).

The external trade index is computed by dividing imports from countries not members of the Common Market by total EEC imports. Its purpose is to determine the effect of the construction of a supranational polity on external actors. Table 6 shows the process of communications is not drastically altered as a result of any political act although the proportion of examinations drops significantly over a lengthy period of time as the Community turns inward in its trade patterns. This would indicate that regional communities are not a particularly unstabilizing economic force in the international community since the impact of integration upon external actors is gradual and expected.

SUMMARY

In this chapter we have seen that spillover in the Common Market in the case of industry proceeded from political to functional sectors. Communications channels among businessmen in different nations appear to be greatly

enlarged as a result of national governments ceding a portion of their decision making authority to the political institutions of a regional polity. This tendency, particularly the formation of European-level interest groups, reconfirms David Truman's hypothesis that interest groups tend to operate at whatever level they are effective.²³

The fact that existing economic transactions are relatively insensitive to hostile signals emitted by political actors indicates that industry is a supportive factor in maintaining a regional organization. Nationalistic disputes appear to be modified by industry's insistence on maintaining existing transnational patterns of communications and by the demands placed on national governments to resolve political differences so as not to jeopardize mutually beneficial relationships among business elites in the affected countries.

The significance of our findings appears to be that integration must not be restricted to political sectors if the process is to be successful. While integration occurs as a result of long-range, high-level political decisions, it is at least partially maintained by the rising satisfaction levels of business elites. The mutual dependence between politics and business indicates the validity of Lindberg's hypothesis that integration is a multidimensional process with each sector enjoying various degrees of influence on other sectors at different points in time.²⁴

The interrelated impact of politics and business assists in explaining the rather limited success of integration in most underdeveloped regions of the world. Perhaps integration might be assured of a higher probability of success by the establishment of businesses dependent upon mutual cooperation among member states for success. As economic cooperation assisted in raising standards of living among citizens of the member states, traditional attitudes might change and existing animosities and fears might be replaced by an eagerness to extend economic markets. As we have seen, this has been the case in Europe.

Chapter 2

FOOTNOTES

¹Haas, The Uniting of Europe, pp. 16-17.

²Michael Curtis, Western European Integration (New York: Harper and Row, 1965), p. 16.

³Gerard Braunthal, The Federation of German Industry in Politics (Ithaca: Cornell University Press, 1965), p. 319.

⁴Henry Ehrmann, Organized Business in France (Princeton: Princeton University Press, 1957), pp. 407-08.

⁵Bulletin du Conseil National de Patronat Francais, IV, 54 (July 20 - August 5, 1950), 22. As cited in Henry Ehrmann, "The French Trade Associations and the Ratification of the Schuman Plan", World Politics, VI, 3 (April, 1954), 455.

⁶Ehrmann, Organized Business in France, pp. 413-19.

⁷Braunthal, The Federation of German Industry in Politics, pp. 288-89.

⁸Robert J. Lieber, British Politics and European Unity: Parties, Elites and Pressure Groups (University of California Press, 1970), pp. 94-98.

⁹Gallup International, September/October 1966. As cited in Durant, "Public Opinion and the EEC", 243.

¹⁰Spinelli, The Eurocrats, p. 106.

¹¹Giorgio Galli and Alfonso Prandi, Patterns of Political Participation in Italy (New Haven and London: Yale University Press, 1970), p. 203.

¹²Haas, "The Challenge of Regionalism", 451.

¹³Spinelli, The Eurocrats, pp. 120-22. Also, J. S. Nye, "Comparing Common Markets: A Revised Neofunctionalist Model", International Organization, XXIV, 4 (Autumn, 1970), 809.

¹⁴Werner Feld, "National Economic Interest Groups and Policy Formation in the EEC", Political Science Quarterly, LXXXI, 3 (September, 1966), 402.

¹⁵Ibid, 407.

¹⁶Lindberg and Scheingold, Europe's Would-Be Polity, p. 161. See also Inglehart, "Public Opinion and Regional Integration", 780.

¹⁷Spinelli, The Eurocrats, p. 123.

¹⁸Establishment of the Customs Union in 1968 resulted in removal of remaining tariffs on trade between member states and the introduction of the Common External Tariff. The Europa Yearbook 1972, Vol. 1 (London: Europa Publications Limited, 1972), p. 210.

¹⁹Karl W. Deutsch and others, France, Germany and the Western Alliance (New York: Charles Scribner and Sons, 1967), p. 220.

²⁰Donald J. Puchala, "International Transactions and Regional Integration", International Organization, XXIV, 4 (Autumn, 1970), 738.

²¹The RA index was computed by determining the percentage of increase in world trade each year, then multiplying that percentage by the previous year's intra EEC imports. The product was then added to the previous year's intra EEC imports to determine the expected volume of trade. The RA index was then computed utilizing the formula $RA = \frac{AT-ET}{ET}$. AT signifies actual trade. ET signifies expected trade.

²²The preoccupation ratio is computed utilizing the following formula: $PR = \frac{\text{Intraregional Trade}}{\text{World Trade}}$. See James A. Caporaso, "Theory and Method in the Study of International Integration", International Organization, XXV, 2 (Spring, 1971), 240.

²³Truman, The Governmental Process, pp. 322-23.

²⁴Leon N. Lindberg, "Political Integration as a Multidimensional Phenomenon", International Organization, XXIV (Autumn, 1970), 652.

Chapter 3

AGRICULTURE

The European farm group has been regarded with some degree of trepidation by both political scientists and officials of the Common Market. The individual peasant has been characterized, with some justification, as independent, isolated from society, and extremely nationalistic. At a national level, farmers have combined into extremely powerful unions throughout Europe. Charles E. Frye describes the phenomenon as follows when considering German farm groups:

There exists a striking disparity between the farmers high percentage of voter turnout and their general lack of political awareness as compared with all other economic and social groups. All observers agree the farmers are among the most powerful groups in Bonn today, if not the most powerful.¹

Robert J. Lieber comes to a similar conclusion when examining the National Farmers Union (NFU) in Britain:

The NFU now contains more than 200,000 farmers or between 75 and 80 percent of the potential membership in England and Wales. Whereas the Trades Union Congress, powerful as it is, represents less than 40 percent of the total working population, and the Federation of British Industries has had to share business and industrial leadership with several other peak organizations, the NFU enjoys the most impressive sectional concentration in terms of both density and amalgamation.²

As a result of the political influence of farm lobbies and national policies designed to insure

agricultural self-sufficiency, farmers operated in the past under a blanket of protective legislation. Policies emanating from this legislation led to a large number of small farms which could exist only as a result of protective tariffs and high support prices. Of nine million farms in the six EEC countries in 1963, more than five million had less than twelve acres of crop land.³

The establishment of a Common Agricultural Policy (CAP) for the Community in January 1962 meant the eventual elimination of national barriers to agricultural trade. Also, recent farm policies of the Community have been directed at eliminating the marginal producers throughout the Common Market.⁴ These factors, combined with the strength of agriculture at the national level, would lead one to expect that European farmers would provide a formidable obstacle to the path of European integration. This, however, has not been the case. In this chapter we shall attempt to show that agriculture has been successfully integrated into the Community and that farmers have materially supported the move towards increased unification. We shall also attempt to point out how, and at what costs, architects of the Community have enlisted the support of organized agriculture. Finally, we shall speculate on the future role of agriculture and its effect on integration.

ATTITUDES TOWARD INTEGRATION

Analysis of attitudes of farm groups toward integration among the original six reveals a distinct change before and after the signing of the Treaty of Rome in 1957. Prior to the treaty going into effect in January 1958, the majority of spokesmen for agricultural associations in all Common Market states denounced the formation of any type supranational organization in their area of interest, stressing that a common market for agricultural commodities would ruin the tariff-protected, nationally subsidized farmers in the European Coal and Steel Community countries.⁵

Agricultural groups in Germany, Luxembourg, Italy and Belgium represent basically small farmers and therefore feared a decrease in subsidies and farm prices. France and the Netherlands, on the other hand, feared an increase in price and wage controls and were also somewhat reluctant to agree to a Common Agricultural Policy. As a result of farm group resistance, particularly in countries containing a majority of small farmers, an agreement for a Common Agricultural Policy for the EEC was not achieved until January 14, 1962, five years after the founding of the EEC, and then only after 200 hours of intensive negotiation.⁶

The fact that the CAP was achieved, however, is attributable to governmental initiative and some alteration in the attitudes of farm groups toward integration during the five-year period between institution of the EEC and

ratification of a Common Agricultural Policy. This change is illustrated in Table 7, European Farmer's Opinion Towards the CAP - 1963. The table shows the responses of farmers throughout Europe to the following questions: "Do you think your country's farmers will suffer as a result of the Common Agricultural Policy? Are you against the CAP?"

Table 7

European Farmer's Opinion Towards the CAP - 1963

	<u>Think Farmers Will Suffer</u>	<u>Against CAP</u>
Germany	49%	22%
Belgium	21	25
France	23	13
Italy	4	8
Netherlands	21	10

Source: Gallup International "Public Opinion and the European Community", Journal of Common Market Studies, II, 2 (November, 1963), 121.

Three of the five countries surveyed had a lower percentage of farmers opposing the CAP than those who felt they would suffer as a result of the program. This indicates farmers' willingness to accept an unfavorable policy in order to contribute to the goal of a united Europe.⁷ Another factor which certainly must have contributed to the relatively high degree of support was the extensive publicity campaigns which governments engaged in to convince farmers that the CAP would ultimately benefit both them and their country.⁸

The relatively low level of response in the case of Italy might be attributed to the low level of education of the Italian peasant farmer and his lack of awareness of the Common Market. A 1962 survey of five EEC countries concerning results of the European Economic Community indicated that Italy was the highest country in percentage of citizens who could not identify either good or bad results of Community activities.⁹

The willingness of agriculture to accept an unfavorable solution to promote the cause of a unified Europe has not resulted in their enthusiastic support of all policies enunciated by the High Commission. The Common Agricultural Policy has been particularly criticized in those countries that produce relatively small amounts of food (Germany) and those engaging in important trade with states external to the EEC (Netherlands). As a result of the CAP system of transfer payments, these nations must bear the brunt of financing price supports, export subsidies and market intervention for the benefit of countries, such as France, that maintain a high level of agricultural production.¹⁰

The lack of enthusiasm for all consequences of the Common Agricultural Program is revealed by Gallup Poll results taken one year before and five years after initiation of the program (see Table 8). Respondents were queried: "Do you think it would be a good thing or a bad thing to eventually remove all subsidies and other protection to industries such as agriculture?" The fact that poll

results were virtually the same after a five-year period is indicative that operation of the program did little to change the attitudes of European populace as to its overall desirability. Also noteworthy is the apparent fact that Europeans did not connect high food prices within Common Market countries with operation of the CAP.

Table 8

Good Thing or Bad Thing to Remove Protection
to Industries Like Agriculture?

<u>Date</u>	<u>Good Thing</u>	<u>Bad Thing</u>	<u>Don't Know</u>
September 1961	39%	34%	27%
November 1966	39	33	28

Source: Gallup International, "Public Opinion and the European Community", Journal of Common Market Studies, VI, 3 (March, 1968), 240.

In spite of a lack of enthusiasm for segments of the CAP, the agricultural Community has allowed the program to expand until virtually every segment of agriculture is strongly affected by regulations and decisions of the Community. This expansion illustrates the willingness of farmers to recognize preeminence of the Community over national governments, particularly when actions of the Community are to their economic wellbeing. Attempts by General de Gaulle to undermine the CAP and authority of institutions of the EEC by the French boycott of Community institutions in 1965 met with violent opposition from French agricultural organizations. The farm groups

maintained his actions were a violation of the European spirit representing a blow to European integration and the future of French agriculture under the CAP.¹¹ German farmers, on the other hand, supported De Gaulle's stand on agriculture since tariff barriers and other nationally imposed restraints on competition were to their economic benefit.¹²

Our analysis thus far seems to indicate that, while farmers or other interest groups may be persuaded to support lofty principles, their attitude towards specific measures such as entry into an organization or a specific program will vary according to their perceived interest. Support for the loftier principle, be it national or supranational sovereignty, serves a functional purpose in the integrative process since the favorable attitude towards an end goal acts as a force in persuading groups to abide by relatively unpopular decisions. This, of course, results in the legitimizing of the institution that imposed them.

A study of four prospective members of the Common Market also reveals the tendency of farm groups to put parochial interests ahead of any nobler-minded goals, such as a united Europe, prior to governmental entry into the organization. Farm groups within the four countries appear to have based their support or opposition to entry upon their ability to compete with European countries and the prospects of losing nationally sponsored farm subsidies.

In Ireland, a largely agricultural country, farmer reaction was generally favorable to Common Market entry.

Irish farmers have been adversely effected by Britain's traditional policy of providing cheap food for the public. Britain has been Ireland's largest market, so farmers would reap enormous benefits from access to the high food prices prevailing throughout the European Economic Community.

The major source of opposition to Common Market membership among Irish farmers seems to have been in those cases where membership in a group, such as the ultra-nationalistic Sean Finn Society, conflicted with membership in a supranational organization.¹³ This phenomenon emphasizes the danger of attempting to isolate the impact of a particular group's attitude toward a particular problem within a society without taking into account the factor of overlapping membership in other organizations.

Farm groups in Denmark were also in favor of Common Market membership. Danish agriculture is highly organized, scientifically managed, and is internationally competitive, particularly in the fields of pork, egg and butter production.¹⁴ Farmers, therefore, stand to benefit greatly by unrestrained access to the food markets of the original six members of the Community.

In Norway--primarily a fishing country--the government was forced to resign by a substantial defeat of the proposal to join the EEC. Norway is a country in which farming is rendered particularly difficult by both geographic structure and climate. Only three percent of the land surface is arable and agriculture is both protected

and heavily subsidized by the national government.¹⁵

Farmers, afraid they would be ruined by loss of subsidies and protection under the Common Agricultural Policy, joined with fishermen, nationalists and left wing groups in violent opposition to the proposal.¹⁶

In order to achieve membership in the EEC after ten years of abortive attempts, the government of Great Britain was forced to overcome the opposition of the National Farmers Union, an organization representing 75 percent of the nation's farmers and speaking with a cohesiveness rarely achieved by farm groups in other nations. Britain's acceptance by the Common Market countries, particularly France, depended upon an alteration of the nation's agricultural system. The British system, based on the Agricultural Acts of 1947 and 1957, featured payment of subsidies to farmers to maintain low prices on food, importation of large amounts of food from commonwealth countries at relatively low world price levels, and protection of the horticulture industry by a system of protective tariffs and grants. The Common Market system protects agriculture by levies on imports from outside the member countries and maintains a high price level for foods on the consumer market. However, as previously stated, the policy prohibits protective tariffs within the community for national governments to protect noncompetitive sectors (such as British horticulture).¹⁷ While it is difficult to assess the overall impact of the NFU on British policy, it is certain

the union was a strong factor in the initial British insistence on a relatively long period of adjustment to the Common Market system and protection for British horticulture past the transition period.

In 1968 the Conservative Party dropped support of the cheap food policy for Britain and switched to a levy system in spite of overt opposition by the NFU. This move, combined with the absence of De Gaulle's veto, signified the green light for British entry into the Common Market.¹⁸

Acceptance was insured in 1971 when Great Britain agreed to accept the EEC's system of high farm prices and tariff barriers against imported food as a basic condition for membership within the Community.¹⁹ Thus, in the case of Britain, movement toward regional integration was achieved only when the government overruled the attempts of the NFU to resist possible loss of material benefits and influence on farm legislation.

A summarization of farm group attitudes prior to national entry into a regional organization might be that support or opposition for membership within the organization is dependent upon whether the organization sees membership as enhancing or inhibiting the parochial ends of that particular segment of society. The only cases of support for membership within regional organization among national farm groups seem to be in those cases where membership in the organization provided benefits so obvious they could be perceived by the most casual observer.

Thus far we have seen that European farm groups are quite likely to acquire some degree of attachment to a lofty principle such as European integration after entry into a supranational organization. Prior to entry, farmers are quite likely to oppose membership on the basis of nationalistic leanings and perceived economic interests. The prospects of economic benefit, however, may present an inducement strong enough to overcome nationalistic leanings if the benefits are readily discernible. The degree of attachment to which farmers acquire to idealistic goals may assist the process of integration by encouraging them to at least passively support decisions of Community organs.

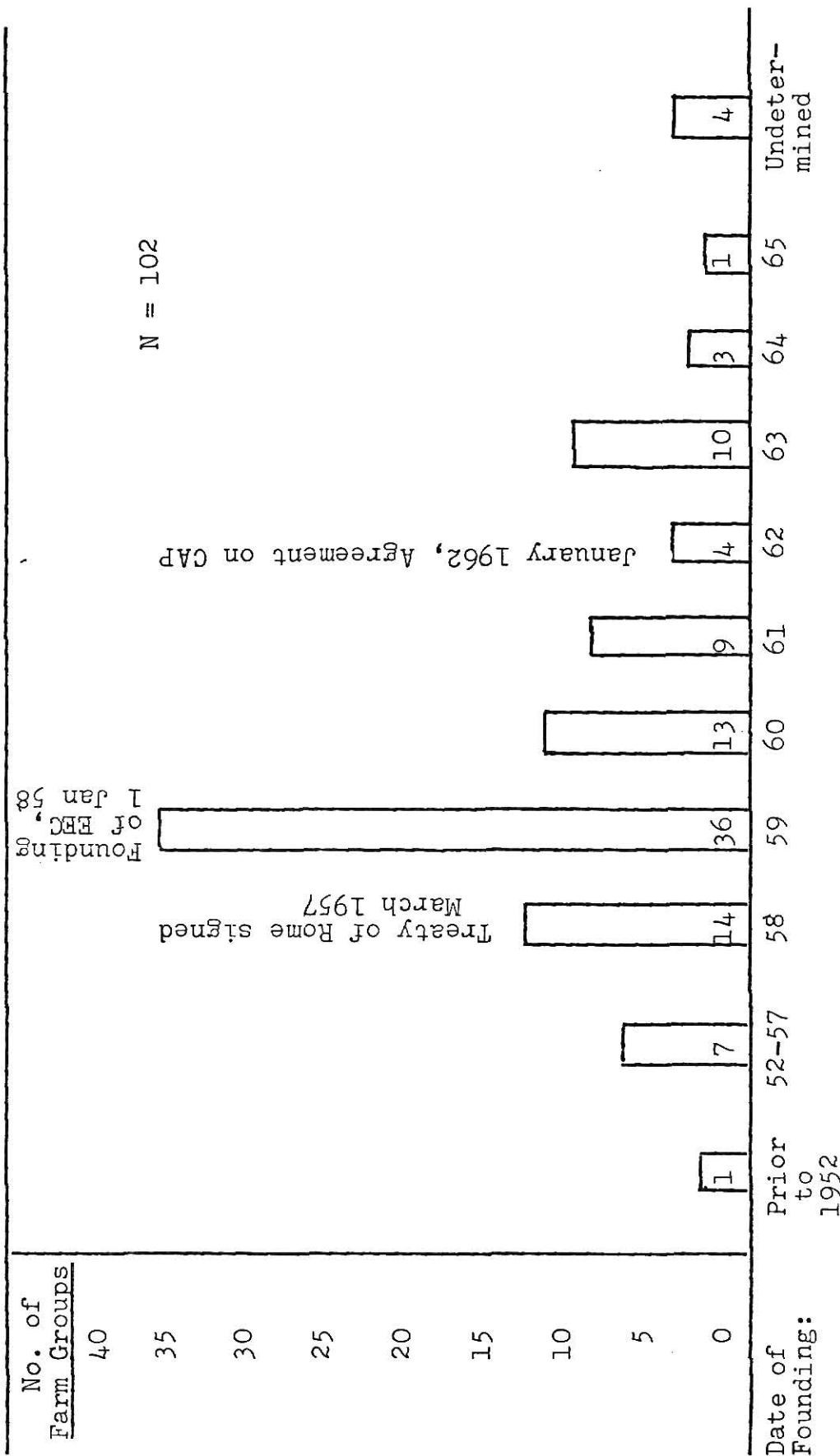
The contention that farmers have materially supported the move towards increased unification is substantiated but not proven by the preceding evidence favorable after national membership over a prolonged period. Activities which strengthen regional ties are essential if the interest group is to be regarded as a positive integrating factor. Analysis of communication flows between agriculture groups and bureaucrats in the six original Common Market countries should indicate to what extent such activities have occurred.

MULTINATIONAL INTEREST GROUPS

Analysis of the formation of regional interest groups by farmers indicates a pattern quite similar to that followed by businessmen. As Table 9, Formation of Regional Interest Groups - Agriculture, indicates, farmers reacted

Table 9

Formation of Regional Interest Groups - Agriculture



Sources:

The Europa Yearbook, 1970, Vol. 1 (London: Europa Publications Limited, 1970), pp. 208-11. Yearbook of International Organizations 1972-73, Vol. 14, passim.

primarily to the founding of the EEC in 1958. The fact that the majority of the interest groups were activated prior to the institution of the CAP is significant in that it indicates agricultural leaders were quicker to react in an attempt to influence community policy before it was formulated than industry. Their success is evidenced by the fact that while barriers to agricultural trade have been relaxed within the Common Market, a substantial European-wide barrier has been maintained against non EEC imports. Exports from Europe, on the other hand, are subsidized by the agricultural fund.²⁰ These programs of assistance have undoubtedly played a major role in converting farm groups from opponents to adherents of the EEC.

Also noteworthy is the fact that the agreement on the CAP in 1962 seems to have acted as a slight stimulus on interest group formation bringing holdouts into the fold. The fact that no interest groups have been activated since 1965 would indicate that agriculture as a group feels it is sufficiently represented before the Commission.

AGRICULTURAL TRADE

The insistence of Common Market officials upon protecting European agriculture from world competition has had rather profound effects. Table 10, Agricultural Trade, utilizes the preoccupation ratio and the external trade index to illustrate that Common Market countries have turned increasingly to member states for sources of food, beverages

and tobacco since the founding of the EEC. Note that agriculture is similar to industry in that existing trade patterns are relatively insensitive to political acts. Also, the preoccupation ratio has increased from .23 in 1958 to .72 in 1970 while the external trade index has dropped from .82 to .58. This is indicative of increased integration at the cost of restraining trade with external sources.

Table 10
Agricultural Trade

Year	Intra EEC Imports *	Extra EEC Imports *	Preoccupa- tion Ratio	External Trade Index
1958	76	335	.23	.82
1959	--	--	--	--
1960	--	--	--	--
1961	120	355	.34	.75
1962	137	414	.33	.75
1963	156	434	.36	.74
1964	175	473	.38	.73
1965	219	518	.42	.70
1966	235	543	.43	.70
1967	257.6	521.9	.49	.67
1968	310.8	507.6	.61	.62
1969	403.1	554.5	.73	.58
1970	459.9	642.4	.72	.58

* Millions of U.S. dollars per month

Source: Statistical Office of the European Community, General Statistics, 1964, 1967, 1969, 1970, 1971, passim.

While Table 10 clearly indicates that integration as measured in terms of interdependence between member states

has increased with the European Economic Community in the agricultural sector, there have been some adverse effects. The EEC has been charged with promoting a trade policy which shuts out the world and acts to the disadvantage of the poorer states of Asia and Africa. Also, the high prices for food resulting from the price supports of the CAP have increased inflationary pressures in Europe and removed much of the incentive for increased farm efficiency.²¹ Therefore the Commission has been forced to embark on a program of structural reform within the agricultural sector to encourage the elimination of marginal producers from the land. This program, the "Manholt Plan", encourages early retirement or retraining for farmers and attempts to switch farm production from surplus commodities (wheat, sugar, and dairy products) to shortage commodities (beef and veal). Although this program may ultimately benefit the European consumer, it will impose a substantial burden on the taxpayer since the cost of initial steps in the program is estimated at over five billion dollars.²²

Our analysis thus far has shown that farmers reacted to the institution of the Common Market by rapidly expanding over international boundaries to influence EEC policies. As a result of Common Market farm policies, the agricultural sector has experienced a distinct increase in the density of trade flows in food products. However, although these activities have certainly assisted the integrative movement, there have been adverse effects on both external states and European citizens.

COMMUNICATIVE PATTERNS

Karl Deutsch has pointed out the wider the range of topics which may be efficiently transmitted within a community the greater the extent of integration.²³ Table 11, Telex Messages Processed by Agriculture Directorate, shows an elevenfold increase in the number of telex messages transmitted per month by the General Directorate of Agricultural Policy. Feedback (messages received by the Directorate) increased 600 percent over the same period. This marked increase coincides with expansion of the CAP and indicates that both governments and farm groups legitimized the authority of the Directorate of Agriculture by turning increasingly to it for guidance and decisions.

Table 11

Telex Messages Processed by Agriculture Directorate

<u>Year</u>	<u>Received (per month)</u>	<u>Sent (per month)</u>
1962	230	250
1967	1400	2700

Source: European Communities Joint Information Service, "Newsletter on the Common Agricultural Policy", No. 14 (October, 1967).

In spite of the increase in communication with the Directorate of Agriculture, national farm groups have not adapted a blanket policy of dealing directly with Community agencies. A survey of the officials of national interest groups representing all three economic sectors in 1965 showed that 70 percent considered demands directed through

national governments more likely to be successful than demands made directly to Community institutions. Reasons for directing the flow of demands through national governments were as follows:

1. The Council of Ministers contains representatives from the national governments and is the final authority within the Community.

2. An efficient interaction and communications system has been established between interest groups and their national governments.

3. Interest groups can apply a greater amount of political leverage on their national government through elections and representative processes of government.

The survey did reveal that agriculture was the most successful of all sectors in obtaining an audience for national groups before the commission. This was particularly true in those cases where community level interest groups could not reach a consensus.²⁴

Although the insistence of national interest groups in directing demands to national governments would not seem to assist in legitimation of the integrative process, there are other indicators that would substantiate the hypothesis that farm groups are a legitimizing factor.

National agricultural interest groups have attempted to keep their members well informed on the activities of the EEC. Sidney Tarrow, in a study of rural France, found that discussion of Community agricultural policies was twice as

high among farmers belonging to national interest groups as among those with no organizational ties.²⁵ Also, the ability of national interest groups to activate large numbers of farmers to demonstrate in support or opposition of EEC policies both in Brussels and their parent state indicates not only an awareness of Common Market activities but also a growing propensity towards political activism as a result of Community decisions. Table 12, a partial listing of farm group demonstrations conducted during 1971 concerning EEC policy, illustrates this propensity and its magnitude.

Table 12
Farm Group Demonstrations - 1971

<u>Date</u>	<u>Location</u>	<u>Issue</u>	<u>No. of Demon- strators</u>	<u>Nation- ality</u>
Feb 11	W. Germany	Farm Price increases	300,000	German
Feb 15	Brussels	Farm Price increases	80,000	All EEC states
Mar 5	Beziers	Protection of wine industry	6,000	French
Mar 6	Toulouse, Neufchatel	Beef Price increases	8,000	French
Mar 7	Lezignan	Protection of wine industries	5,000	French

Source: Facts on File, 1971, passim.

The timing and magnitude of these demonstrations undoubtedly had a major impact in causing the agricultural ministers of the EEC to agree on an average farm price

increase of 4 percent to include a 3 percent increase in wheat prices (benefiting German and Dutch farmers) and 10 percent in beef prices (benefiting French farmers).²⁶ These price increases were the first in three years within the Community and were achieved in spite of opposition from the United States and Commission Vice President Sicco Mansholt.²⁷

The tendency of national interest groups to direct demands through their national government is also attributable to a "two-front" strategy by agriculture in which community level interest groups direct their efforts towards Community organs and national interest groups concentrate primarily on their parent government. The success of community level groups in airing their views in front of the Commission attests to the prudence of this technique.²⁸

SUMMARY

Agriculture is similar to industry in the fact that it has assisted in legitimizing the institutions of the Common Market by expanding across national frontiers in order to attain economic ends. This fact is substantiated not only by the formation of regional interest groups but also by the tendency of farmers to orient their actions upon the Community's Directorate of Agriculture. By turning to the directorate for guidance, publicizing the actions of the Community, and even by protesting portions of the CAP, farmers have shifted the locus of authority in agricultural matters from the national to the regional arena.

Even the propensity of national interest groups to direct demands to national governments does not reduce this legitimation since the national governments must then relay demands to the Community through the Council of Ministers. Agriculture more than any other economic sector has been placed under authority of Community agencies; and farmers in spite of initial misgivings, have accepted and supported this transfer of sovereignty.

The support and good will of farmers has been acquired as a result of a Common Agricultural Policy which replaces stringent national protective practices with equally restrictive regional tariffs and embargoes. Thus, while industry has integrated and allowed non Common Market interests relatively easy access to Europe, agriculture has encouraged a closed society. This has undoubtedly adversely affected the image of the European Economic Community in the world community. The cost of support from farm groups has also been borne by European consumers and taxpayers. These citizens have underwritten a farm policy which maintains food prices well above world levels while simultaneously sponsoring a program of structural reform designed to eliminate marginal producers and surplus commodities.

While the effects of agriculture upon integration have been rather obvious and profound in the past, they are likely to be more subtle in the future. Each year millions of European farmers leave the land not only as a result of the community's policy of structural reform but also in

search of employment in European industry. The latter factor may also explain why European farmers were amenable to accepting a farm policy under which they would suffer. As marginal producers leave the land, agricultural negotiations are not likely to be as spectacular and violent in nature as they have been in the past when farmers expressed their opposition with large-scale demonstrations in the streets. Large producers are more likely to maintain a low profile and rely on positive working relationships with Community bureaucrats to attain their goals. Therefore, farmers are likely to turn economically more conservative in an attempt to maintain the substantial benefits they presently enjoy. In the author's opinion this will result in agriculture becoming a static rather than dynamic variable in the integrative process. Future moves of importance towards a United Europe, if they are to occur, are likely to emanate from a source other than the European farmer.

Chapter 3

FOOTNOTES

¹Charles E. Frye, "Parties and Pressure Groups in Weimar and Bonn", World Politics, XVII (July, 1965), 655.

²Robert J. Lieber, British Politics and European Unity: Parties, Elites and Pressure Groups (Berkeley and Los Angeles: University of California Press, 1970), p. 45.

³Paul G. Minnerman, "Agriculture in France and the European Community", France and the European Community, ed. Sydney N. Fisher (Ohio State University Press, 1964), 85.

⁴"Farm Reform in Legislative Phase", European Community, No. 135 (June, 1970), 7.

⁵Haas, The Uniting of Europe, p. 296.

⁶Leon N. Lindberg, The Political Dynamics of European Economic Integration (Stanford: Stanford University Press, 1963), pp. 224-35, passim.

⁷This conclusion was verified in the case of Germany by a series of interviews with farmers and agricultural interest group leaders. See Lindberg and Scheingold, Europe's Would-Be Polity, p. 181.

⁸Minnerman, "Agriculture in France and the European Community", 86.

⁹Sondages, No. 1 (1963), pp. 49-50. As cited in Lindberg and Scheingold, Europe's Would-Be Polity, p. 42.

¹⁰Lindberg and Scheingold, Europe's Would-Be Polity, pp. 147-49.

¹¹Ibid, p. 161.

- p. 22.
- ¹²Caporaso, Functionalism and Regional Integration, p. 22.
- ¹³The New York Times, March 8, 1970, p. 2.
- ¹⁴The Europa Yearbook, 1972, p. 628.
- ¹⁵Ibid, p. 1009.
- ¹⁶Facts on File, September 24 - 30, 1972, p. 758.
Fishermen feared access to Norway's territorial waters by fishermen of EEC countries.
- ¹⁷Lieber, British Politics and European Unity, pp. 117-18.
- ¹⁸Clifford Selly, Ill Fares the Land (Tonbridge, Kent: Tonbridge Printers Ltd., 1972), pp. 55-61.
- ¹⁹The New York Times, June 27, 1971, p. 3.
- ²⁰Anthony Sampson, Anatomy of Europe (New York and Evanston: Harper and Row Publishers, 1968), pp. 66-67.
- ²¹Ibid, pp. 67-69.
- ²²"Farm Reform in Legislative Phase", European Community, No. 135 (June, 1970), 7-8.
- ²³Deutsch, The Nerves of Government, p. 150.
- ²⁴Feld, "National Economic Interest Groups and Policy Formation in the EEC", 394-402.
- ²⁵Sidney Tarrow, "The Urban-Rural Cleavage in Political Involvement: The Case of France", The American Political Science Review, LXV (June, 1971), 353.
- ²⁶The New York Times, March 26, 1971, p. 4.
- ²⁷The New York Times, March 24, 1971, p. 1.
- ²⁸Of 944 meetings held by the commission with community level interest groups in 1963, 245 (with 2,974 participants) were convened by the Directorate of Agriculture. Lindberg and Scheingold, Europe's Would-Be Polity, p. 80.

Chapter 4

LABOR

As we have seen, both organized industry and agriculture have rapidly adapted to the formation of a supra-national organization and assisted in legitimizing governmental moves toward increased integration by increasing transactions across national boundaries and establishing effective communicative patterns with community institutions. No such claim can be made for European labor. In spite of a severe shortage of labor in the northern European countries, which resulted in substantial migrations of workers throughout the community, labor has not been effective in either initiating nor legitimizing positive approaches to integration.

Anthony Sampson, a British author, describes the phenomena as follows:

While technocrats, bankers and tycoons are beginning to operate increasingly on an European scale, and the international corporations are coordinating their factories and markets across frontiers, the workers and their trade unions remain much more deeply divided. They have inherited all kinds of rivalries and suspicions--political, religious and class divisions, and divisions between trade unionists and the rest. Their ineffectiveness is alarming, for without the countervailing force of organized labor, the creation of huge continental industries and institutions can still threaten democracy.¹

Werner Feld, who compared the effectiveness of industry, agriculture and labor in dealing with institutions,

reached the following conclusion: "The ability of agriculture and industrial groups to elicit favorable decisions on the community level is uniformly considered greater than that of labor unions."²

In this chapter we shall analyze transaction flows involving labor to substantiate the contention that labor has not materially assisted any movement towards a united Europe. When our analysis of transaction flows is completed, we shall attempt to identify variables which resulted in labor acting as a negative factor during the formative years of the community. After identifying these forces we shall then ascertain if they are increasing or diminishing in order to predict the role of labor in future moves toward European unification.

TRANSNATIONAL MOBILITY OF WORKERS

Negotiations establishing the European Economic Community in 1958 coincided with an ideal opportunity to promote maximum mobility of workers across national boundaries. Italy was faced with critical unemployment while Germany had shortages of all types of labor. Furthermore the expansion of industry throughout the community was dependent upon an adequate labor force. Therefore, the Italian government pressed for strong provisions in the treaty to free the movement of labor while Germany supported their demands.³ Article 48 of the Treaty of Rome as ratified therefore specified the following:

The free movement of workers shall be insured within the Community not later than the date of the transitional period. Workers are also guaranteed the same protection and treatment as nationals within a host country in respect of all conditions of work or employment particularly as regards pay and discharge.⁴

This objective was seemingly met by the Community in July 1968 when the Council of Ministers passed regulations removing all institutional barriers to the free movement of labor, including the requirement for a work permit from the host country.

The above action by the Community followed two previous stages in the liberation of labor. In 1961 Regulation 15 was adopted by the Community to regulate the first stage. Regulation 15 guaranteed priority of national labor markets stating any subject of a member state could work for wages in another country provided the vacancy had not been filled from the national market concerned within six weeks. In 1964 Regulation 38 initiated the second stage of the liberation of labor movements by terminating the priority of national labor markets except for certain exceptions in those regions suffering unemployment.⁵ Article 29 of Regulation 38 also stated that member states shall "take account, in their employment policies of the position of the labor market in other member states, and wherever possible, and on a priority basis, try to fill the available vacancies by nationals of those states."⁶

One would expect that the progressive easing of restrictions upon labor mobility within the Common Market

would result in an increased flow of workers across international boundaries from regions suffering unemployment to regions in need of labor. Also, an increase in integration within the labor sector should result in greater dependence upon Community labor by member states. As Table 13, Italian Unemployment and New Work Permits Issued Within the EEC, indicates, this was not the case. In spite of continued unemployment in Italy, employers turned increasingly to external sources of labor throughout the first two stages of the movement toward increased labor mobility within the Community.

A further indication that labor has lagged behind other economic sectors in the integrative movement was shown during the 1971 recession which affected Europe. Italian workers were the first to be laid off in the EEC member-states of West Germany, France and Belgium, specifically because firms did not have to grant as lucrative contracts and fringe benefits to third country workers. This action accelerated a recent trend of European workers returning to their home state permanently.⁷ The significance of the above event was that employers were able to discriminate against EEC workers during a period of stress. This action occurred in spite of the Council of Ministers' actions of July 29, 1968, which theoretically fully integrated the labor market by prohibiting the practice of granting priority of employment to home country nationals over workers from EEC states.⁸

Table 13

Italian Unemployment and New Work Permits Issued Within the EEC

Year	Italian Unemployment *	Work Permits Issued Community Workers No. %	Work Permits Issued Third Country Workers No. %	Total Work Permits Issued No. %
1959	8.7%	150,000 63	80,000 37	230,000 100
1962	3.0	280,000 42	380,000 58	660,000 100
1965	3.6	320,000 36	630,000 64	950,000 100
1968	3.5	354,000 35	653,000 65	1,007,000 100

* The unemployment figures for Italy are probably understated since only unemployed who were formerly employed and young persons seeking their first jobs are included in government statistics.

Sources: Statistical Office of the European Economic Community, Social Statistics, 1969, Supp. A (Brussels, Commission of the European Community, 1969). International Labor Office, Yearbook of Labor Statistics (Geneva, 1972), p. 428. Statistical Office of the United Nations, Statistical Yearbook, 1961 (New York, 1962).

MULTINATIONAL INTEREST GROUPS

Common Market employers have been able to turn increasingly to external sources of labor at the expense of EEC workers because European labor stood by in 1964 while the phrase wherever possible was added to Article 29 of EEC Regulation 38. This and other failures of organized labor at the community level may be attributed to the unwillingness of labor to form an effective common trade union front within the Common Market. As we have seen, both agriculture and industry have rapidly expanded across national boundaries in pursuit of economic goals, thereby increasing transaction density between citizens of Common Market states. Labor, however, chose not to follow suit. Thus, while agriculture was represented by 102 community level interest groups in 1970 and industry by 92, labor had only 11.⁹

Labor has not only fallen behind the other sectors in terms of volume in the formation of multinational interest groups but also in degree of unity. No effective counterpart to UNICE or COPA has existed in the past to coordinate, consolidate and present labor's position on a collective basis to either European employers or institutions of the Common Market. The major cause of this phenomena has been the close correlation between organized labor and specific political ideologies. Agriculture and industry have oriented on the attainment of economic ends. They have therefore not complicated internal discussion among constituent interest groups with ideological considerations.

As a result agriculture and industry have been able to arrive at a consensus and deal much more effectively with the civil servants who operate the Community from Brussels. Labor, on the other hand, was always split into socialist, Christian democrat, and communist camps and complained that its opinions were sought by the Community only when it was too late to influence decisions significantly.¹⁰

The socialist group of European labor is presently represented by the European Confederation of Syndicates (CES), an affiliate of the social democrat based International Confédération of Free Trade Unions (ICFTU). The CES was created in Brussels on February 9, 1973, replacing two organizations: the European Confederation of Free Trade Unions (ECFTU), which represented the socialist unions in the original Common Market states; and the Trade Union Committee of the European Free Trade Association (EFTA). The CES has attempted to unify and increase the political power of organized labor by opening membership to union organizations from European states that are not members of the EEC, European affiliates of the Christian World Confederation of Labor and the independent Irish Congress of Trade Unions. The attitude of the CES towards the French communist union, Confederation General du Travail (CGT), and the Italian communist union, Confederazione Generale Italiana del Lavoro (CGIL), is still unclear as far as membership is concerned.¹¹

Christian democrat based trade unions also recently reorganized to increase the power of labor within the

Community. Christian labor had been confederated under the World Congress of Labor (WCL), formerly known as the International Confederation of Christian Trade Unions (ICCTU). The WCL was perhaps the most favorable of all multinational labor organizations toward integration throughout the history of the European communities. However, the WCL consistently opposed socialism and communism because of their concept of a class struggle. The WCL differed from the socialists and communists by espousing cooperation among all segments of the population to guarantee individual rights and liberty.¹² Their insistence of this position impeded the development of a common labor front for the European communities.

The development of a common labor program was also impeded by internal rivalry between the WCL and its constituent organization, the European organization of the WCL. Both organizations have the bulk of their membership in Europe. Consequently, a substantial degree of rivalry existed with the European organization seeking full autonomy. The fact that both confederations drew from the same base not only caused rivalry but also resulted in confusion and an overlapping of functions. The WCL was also plagued by rivalry among its national affiliates which have often displayed little concern or interest in European organization. The situation prompted the following plea for unity from Auguste Cool, President of the European organization:

We must ask ourselves whether we are guilty of undue conservatism in our structure and our organization and of nationalism in our thinking. We must ask ourselves if we are not trying too much to protect ourselves within our own country, thus compromising the long-term future.¹³

In 1969 the European organization was reorganized into the European Confederation of Christian Trade Unions (ECCTU) because of their rivalry with the WCL and the need to create a genuine European trade union movement which was supported by the national unions.

Since the reorganization, officials of both the ECCTU and the CES have adopted enthusiastic official positions regarding the development of a unified front. This has resulted in the development of common policies favoring an increase in the authority of the EEC in regulating industry and the establishment of comprehensive social policies. However, no institutionalized or regular forms of cooperation between the two groups have emerged to date. Contacts between them are sporadic and usually occur as a result of the activities of European institutions.¹⁴ In summary, although the CES and ECCTU have increased their degree of cooperation, it has been a "marriage of necessity" as a result of community activities rather than a genuine desire to press forward together. Whether closer ties develop in the future will depend upon whether the ECCTU perceives the CES's offer of membership to Christian democrat trade unions as a conciliatory gesture or a challenge to its existence. The latter seems to be more likely since the CES did not offer any role in their structure of authority to officials of the CES.

The third multinational labor organization involved in European integration is the World Federation of Trade

Unions (WFTU), a communist confederation. The WFTU has consistently opposed integration in the European community, characterizing it as a threat against Eastern Europe and a scheme by the capitalist regimes to undermine the solidarity of the working class. The position of the WFTU has been undermined by activities of the Italian CGIL and French CGT. The CGIL has perceived the EEC as an opportunity to achieve an actual degree of labor unity in Europe. The union was also faced with the fact that the EEC did provide employment for numerous Italians who might bolt the party if the CGIL openly opposed the EEC. Therefore, the CGIL opted for a policy of influence within the Community in opposition to the position of the WFTU. Although the CGT was initially opposed to cooperation with the Community, they eventually succumbed to Italian pressures and cooperated in the establishment of a joint CGT-CGIL liason committee in Brussels in 1965.¹⁵

Since that time the communist unions have moved successively toward increased participation within the Community, now have representation in the European parliament, and are included in all Community activities relevant to labor. Although the Christian and socialist unions have not been overjoyed by this development, they have accepted it to the point that they will participate in Community activities which include affiliates of the WFTU.¹⁶ A significant degree of hostility remains, however, and what degree of unanimity exists, comes as a result of necessity rather than initiative on the part of the non-communist unions.

NATIONAL TRADE UNIONS

The weakness of labor at the European level is more readily understood after an analysis of trade union strength at the national level. Table 14, Trade Union Strength Within the EEC and Britain - 1969, points out two factors which impact significantly at an international level. First, labor is fragmented at the national level except for Britain and Germany where organized labor is dominated by the TUC and DGB. This fragmentation of labor causes parent confederations to jealously guard their authority and is responsible for labor's failure to form subsidiary organizations to promote specific interests at both the national and international level. This fact explains why labor is represented by so few organizations at the community level when compared to industry and agriculture. The ideological rivalries have simply been so strong that they have impeded the amalgamation of particular groups of workers into specific locals of the national union. Secondly, European workers largely are apathetic to union membership with only 38 percent of the employed labor force belonging to a union of any type. This has made it extremely difficult for labor to control the bulk of the European labor force, coordinate mass demonstrations or work stoppages on a national or international level. Consequently, labor has been deprived of its chief source of power (the strike) at the international level. The chief means of exerting pressure on the international level has been confined to publicity and lobbying.¹⁷

Table 14

Trade Union Strength Within the EEC and Britain - 1969

Country	Wage Earners (Millions)	Trade Union Strength & Affiliation ^a (Thousands)				Total	Percentage ^b of Organ- ized Workers
		ICFTU	WCL	WFTU	Other		
Belgium	2.8	FGTB 760	CSC 878		218	1856	66
France	15.3	CGT-FU 500	CFDT 800	CGT 1500	300	3050	20
Germany	21.4	DGB 6400	CGB 200		1300	7900	37
Italy	12.6	UIL 300		CGIL 3000	1000	7000	57
Luxembourg	0.1	CGTL 30	LCGB 10		10	50	50
Netherlands	3.6	NUU 560	NKV 420 CNV 240			1520	42
Community	55.8	11250	2548	4500	3128	21466	38
Britain	23.1	TUC 9362			1312	10674	46

^aTrade Union strengths derived from membership figures during the period 1966-69.
All other totals, 1969.

^bPercentage of organized workers derived by dividing wage earners into total union membership.

Source: European Communities, Press and Information Service, Trade Union News from the European Community as cited in Bouvard, Labor Movements in the Common Market Countries, p. 36.

ATTITUDES TOWARD MIGRANT WORKERS

The strength of national unions has also been undermined by the reluctance of foreign workers to join them. Although Community workers have been granted the right to vote and participate in the trade union organizations of the host country and in the shop committees at their places of employment, many of them prefer not to join unions or to become involved in any agitation against management.¹⁸ Consequently, fellow workers and leadership of national unions tend to be indifferent or hostile toward them. Also, while migrant workers have received good pay and social security benefits as a result of union arbitration with national governments, they have not been integrated into host country society and quite often live in substandard, isolated housing.¹⁹ In short, while the migrant may be an European worker, he is not regarded as a fellow European citizen. Instead, he is considered by citizens of the host country as a necessary source of labor to fill positions not in demand by local nationals.²⁰ Table 15, Level of Training of Foreign Workers in the Netherlands, illustrates this point as well as reinforcing our contention that EEC employers have relied upon countries who are not EEC members for external sources of labor.

Note that Italy supplied only 16 percent of the foreign labor work force. Also, only 10 percent of the imported labor force was skilled. This tendency appears to have been repeated in other EEC countries. Construction

Table 15

Level of Training of Foreign Workers in the Netherlands

Origin	Number	Skilled ^a (%)	Semi-skilled ^b (%)	Unskilled ^c (%)	Unk (%)	Total (%)
Spanish	4594	11	31	47	11	100
Turkish	2023	7	13	69	11	100
Italian	1884	18	22	47	13	100
Moroccan	1478	1	85	11	3	100
Greek	493	1	10	62	27	100
Other	1527	1	41	11	47	100
Total	11999	10	33	42	15	100

^aSkilled labor - Any person who has mastered a job requiring some skill, including office workers as well as craftsmen.

^bSemi-skilled labor - Workers who have acquired some aptitude at particular jobs, but whose activities do not come within any of the traditional crafts.

^cUnskilled labor - Workers who have no identifiable crafts or skills.

Dictionary of Labor Law Terms, 2d ed. (Chicago: Commerce Clearing House, Inc., 1953), passim.

Source: Junior Kamer Utrecht, Buitenlandse Werknemers: Verslag van een Enquete (Soest, Holland, 1966). As cited in Cormac O'Grada, "The Vocational Training Policy of the EEC and the Free Movement of Skilled Labor", Journal of Common Market Studies, VIII, 2 (December, 1969), 100.

and public works, both of which employ substantial numbers of unskilled workers, employed a larger share of foreign workers than any other form of employment in France (41 percent), Germany (30 percent), and Luxembourg (66 percent) in 1963. Other occupations in which substantial numbers of foreign workers were employed in the above countries included mining, agriculture and domestic servants.²¹

The fact that foreign labor within the Common Market occupies many of the more menial forms of employment means they are normally recruited from lower stratas of society within their native lands. These jobs offer little opportunity for interaction with local populations and tend to offer little incentive for learning the language of their host country. These factors and the fact that foreign workers usually live in isolation have tended to create a significant degree of image distortion among host country nationals. This distortion is probably aggravated by the high incidence of press reports on disorderly and criminal behavior of foreign workers. In Germany the problem has been severe enough that the government has issued denials that the crime rate is higher among foreign workers than among the native population.²² In short, the degree of worker mobility existing in the Common Market appears to be restricted to those jobs which tend to retard, rather than stimulate, meaningful social communication between populations of labor exporting and importing states.

VARIABLES ACCOUNTING FOR LABOR IMMOBILITY

One of the primary reasons for the immobility of labor within the Common Market appears to be the scarcity of labor throughout Europe. Workers who possess skills of any type are normally able to find employment within their own country. This has been a factor in the decline of Italian worker movement within the EEC. As industry has expanded in Northern Italy, the migration of skilled Italian workers has been towards the Milan-Genoa-Turin area rather than across the national frontier. The movement of workers across the Italian boundaries has tended to reflect workers who have learned a skill and returned to almost certain employment in their native country at salaries competitive with those in the state in which they were working.²³ Of 1.2 million Italians who were issued labor permits between 1961 and 1966 only half remained outside Italy after 1966.²⁴

Another factor which has tended to retard the flow of labor within the Community is the attitude of the workers themselves. Although EEC regulations permit the families of Common Market workers to accompany them, the shortage of available housing has discouraged this practice. Workers normally move to a country alone, live in virtual isolation, and return home as soon as they have acquired a sufficient amount of money to establish themselves in some occupation in their home country. The fact that workers do not mingle a great deal with local populations greatly diminishes the chance that they will marry or establish other ties which

might encourage them to remain in the host country. The EEC Social Affairs Division has estimated that only 45 percent of Italians who immigrate to other member-states for work remain longer than three years.²⁵ This tendency to earn a maximum amount of money and return home as soon as possible has inhibited the efforts of European firms to improve the skills of migrant workers. Although many companies have training programs to alleviate the shortage of skilled labor, foreign workers are reluctant to join them because they would have to accept reduced wages for two to four years while learning a trade.²⁶

SUMMARY

As we pointed out in Chapter 1, scholars of the neo-functional school of integration have maintained that one of the primary criteria for a successful movement towards integration is the organization of interest groups beyond the national level in order to pursue common interests. The neofunctionalists have also maintained that interest groups must succeed in coalescing on the basis of a common ideology and doctrine at the supranational level in order to be a viable positive force towards regional integration.²⁷ Our analysis of organized labor indicates that although the international unions (with the exception of the WFTU) have professed a positive attitude towards regional unification, they have not met the above criteria. The insistence of labor in placing ideological considerations ahead of the

attainment of functional ends has severely retarded the organization of a common labor front either at the national or international level. Furthermore, national unions have often been rather hostile to foreign labor, viewing their presence as a threat to the economic wellbeing of native workers. This hostility has probably been accentuated by the reluctance of foreign workers to join national unions. As a result of these considerations, labor has failed to effectively expand across national frontiers in terms of either volume or unity. The unions have therefore been unable to present a significant common front to either the institutions of the Common Market or European employers since they are unable to employ the threat of a European-wide strike in attempting to attain their goals.

The ineffectiveness of European unions and the aura of prosperity which has pervaded Europe since the 1950s has also hindered the mobility of intracommunity labor. Employers are able to discriminate against Common Market labor during periods of stress in spite of EEC regulations favoring them. The shortage of labor in every Common Market state has encouraged skilled workers to remain in their home countries. Only those who are unable to find employment tend to migrate and then only on a temporary basis. Therefore, the existing degree of labor mobility has not materially assisted in establishing a common European identity. If anything, the movement of Common Market workers

has tended to create negative impressions of foreign nationals among member states.

The fact that labor unions have been weak in the past does not mean that European workers have been shunted aside and forced to support the more politically powerful segments of the population. In almost every occupational sector throughout the Common Market, wages have increased, working hours decreased, and paid holidays lengthened.²⁸ Citizens throughout the Common Market have moved toward a better life from an economic viewpoint. These advances, however, have not been a result of labor union activity and negotiations. The advances have simply been an inevitable result of prosperity and the shortage of labor which has made firms and nations compete for workers.

This increase in prosperity has not been related to activities of the Common Market by European workers. Ronald Inglehart has found in his studies of the attitudes of the European populace that the lower socio-economic stratas of society, which represents a significant portion of blue collar workers, are least supportive of European integration.²⁹ Inglehart's finding does not indicate workers are opposed to European integration; rather they are simply apathetic towards it. As Table 16, Results of European Integration, indicates, the mass of Europeans are not aware of what has been accomplished by institutions of the Common Market either good or bad.

Table 16

Results of European Integration

	<u>Any Good Results</u>	<u>Any Bad Results</u>
Netherlands	51% (Don't Know)	100% (Don't Know)
Germany	60	84
France	60	93
Belgium	59	97
Italy	77	100

Source: Sondages, No. 1 (1963), pp. 49-50. As cited in Leon N. Lindberg and Stuart A. Scheingold, Europe's Would-Be Polity: Patterns of Change in the European Community (Englewood Cliffs: Prentice-Hall, Inc., 1970), p. 42.

The rise of European affluence has also had another effect upon European workers. It has undermined the impact of class-based partisanship. Studies conducted by Paul R. Abrahamson in Europe in 1955 and 1965 indicate that young Europeans are increasingly unlikely to vote according to their socio-economic status.³⁰ This may create even greater problems for European labor leaders in future attempts to generate significant support for a common labor on the basis of functional considerations. Indeed, in order to gain support for their programs, leaders may have to turn more and more to ideological factors in order to generate support across the entire spectrum of society rather than restricting their attention solely to the workers. Such a development would indicate a further decline in the viability of labor as a significant factor in Community political life.

Although we have painted a rather bleak picture concerning labor's effect on integration, there are indications that the situation may improve in the future. The admission of Britain to the Common Market brought one of the most powerful national labor organizations in Europe into the political mainstream of Community life in the form of the Trades Union Congress (TUC), which represents about 40 percent of the total employees in Britain.³¹ The TUC and the German DGB represent the two largest and most prosperous unions in Europe.³² Both unions are members of the CES which will undoubtedly increase the authority of the socialist trade union in front of Community agencies. The increase in power of the CES may force both the Christian and communist unions to merge under CES leadership in order to retain some vestige of influence. The fact that Soviet and Warsaw Pact countries trade unions requested admission to the new confederation in January of this year is ample proof that the unification of European labor on a grand scale is within the realm of possibility.³³

A further bright spot in the future of labor within the Community may be found in the fact that inter-union cooperation is increasing rapidly in Italy recently, and the unions have endorsed further moves towards European integration. Union membership remains low, however, and the unions are in no position to deal with employers on an equal basis.³⁴

In summary, there are definite indications that organized European labor may be able to overcome the ideological differences which have plagued the development of a common labor front. Such an organization would have considerable membership resources in the northern European countries although Italian labor is likely to remain weak. In France, however, the unions are likely to remain ideologically split and weak in terms of membership.³⁵ Since both the CES and the Christian trade unions have pressed for greater autonomy for institutions of the Common Market, the development of a common front would produce positive forces for further integrative moves. The development of an European common front would also constitute a significant step in the direction of a true world labor movement, a traditional goal of the international labor unions. However, unless the ideological and national differences which have existed within European labor are eliminated, it will remain a weak, disorganized and sometimes divisive factor. Since labor has historically been incapable of overcoming ideological rivalries, it seems likely that the current situation will continue for the foreseeable future.

Chapter 4

FOOTNOTES

¹Sampson, Anatomy of Europe, pp. 359-60.

²Feld, "National Economic Interest Groups and Policy Formation in the EEC", 409.

³Kenneth A. Dahlberg, "The EEC Commission and the Politics of the Free Movement of Labour", Journal of Common Market Studies, VI, 4 (June, 1968), 111.

⁴European Economic Community, Treaty Establishing the EEC and Connected Documents (Brussels: Publishing Services of the European Communities, 1961).

⁵Marguerite Bouvard, Labor Movements in the Common Market Countries: The Growth of a European Pressure Group (New York: Praeger Publishers, 1972), pp. 187-89.

⁶European Economic Community Regulation 38/64 as cited in Helen S. Feldstein, "A Study of Transaction and Political Integration: Transnational Labour Flow Within the European Economic Community", Journal of Common Market Studies, VI, 1 (September, 1967), 30.

⁷The New York Times, December 26, 1971, p. 32.

⁸Stephen Castles, "Europe's Migrant Workers", European Community, No. 125 (July, 1969), 14.

⁹The Europa Yearbook, 1970, Vol. 1, pp. 205-12.

¹⁰Bouvard, Labor Movements in the Common Market Countries, p. 118.

¹¹Thomas Barry-Braunthal, "Multinational Labor: European Workers Unite", European Community, No. 164 (April, 1973), 22.

¹²Bouvard, Labor Movements in the Common Market Countries, p. 79.

¹³Auguste Cool, L'Orientation des Structures et de l'action du Mouvement Syndical dans une dimension Europeene, report to IVeme Conference Europeene des Syndicats Chritiens, Amsterdam, 6-8 October 1966 (Brussels: Organisation Duropeen de la CISC, October, 1966). As cited in Bouvard, Labor Movements in Common Market Countries, p. 90.

¹⁴Bouvard, Labor Movements in Common Market Countries, p. 90.

¹⁵Trade Union News from the European Community, No. 8, 1965, p. 7.

¹⁶Bouvard, Labor Movements in Common Market Countries, p. 96.

¹⁷Ibid, p. 103.

¹⁸Sampson, Anatomy of Europe, p. 353.

¹⁹The New York Times, May 9, 1965, p. 38.

²⁰This trend has recently been reversed somewhat, particularly in Germany where foreign workers are particularly welcome and are invited to participate in an extensive vocational training program. However, participation in the preceding program is dependent upon a working knowledge of the German language. Cormac O'Grada, "The Vocational Training Policy of the EEC and the Free Movement of Skilled Labor", Journal of Common Market Studies, VIII, 2 (December, 1969), 101-03.

²¹Feldstein, "A Study of Transaction and Political Integration", 36.

²²Ibid, 37.

²³United Nations, Secretariate of the Economic Commission for Europe, Economic Survey of Europe in 1963 (Geneva, 1964), p. 31.

²⁴O'Grada, "The Vocational Training Policy of the EEC", 83.

²⁵Ibid.

²⁶The New York Times, May 9, 1965, p. 38.

²⁷Haas, The Uniting of Europe, pp. 9-10.

²⁸Bouvard, Labor Movements in Common Market Countries, pp. 255-59.

²⁹Ronald Inglehart, "Cognitive Mobilization and European Identity", Comparative Politics, III, 1 (October, 1970), 64-69.

³⁰Paul R. Abrahamson, "The Changing Role of Social Class in Western European Politics", paper delivered at the sixty-sixth annual meeting of The American Political Science Association, Los Angeles, California, September 8-12, 1970.

³¹Graeme C. Moodie, The Government of Great Britain (New York: Thomas Y. Crowell Company, 1964), p. 30.

³²Sampson, Anatomy of Europe, p. 364.

³³Barry-Braunthal, "Multinational Labor", 22.

³⁴Walter Kendall, "Labor Unions in Italy", European Community, No. 136 (July, 1970), 21-22.

³⁵Walter Kendall, "Labor Unions in France", European Community, No. 135 (June, 1970), 10-12.

Chapter 5

ECONOMIC INTEREST GROUPS AND REGIONAL INTEGRATION

THE PAST

In the introduction to this thesis we asked, "What has been the effect of interest group activity on the integrative process?". Our analysis of agriculture, industry and labor appears to have substantiated the claim that the effect of economic interest groups upon regional integration will vary according to the phase of the integrative process being considered and the functional field represented. We have also seen that in each economic sector there are dissident factions who oppose the prevailing point of view. These minority groups have acted as a moderating factor on the expression of any extreme position, be it pro or anti integration.

Although both industry and labor were initially supportive of integration, there were substantial groups within both sectors who were actively opposed to any type regional organization. In the case of industry, 25 percent of both large and small businessmen opposed integration. The opposition of these factions caused national interest groups to be rather moderate in their support of programs

which were to the obvious benefit of the majority of European industry. Labor has consistently based support or opposition to regional integration on ideological considerations with Christian and socialist unions favoring increased power for a regional polity while communist unions have been adamantly opposed until recently.

Agriculture has differed from both industry and labor in its attitude towards integrative moves. Farmers have presented a fairly unified front on a national level with support or opposition contingent upon farm techniques and national agricultural policies. As we have seen, this has normally meant opposition to Common Market membership since most European countries have in the past protected marginal producers with tariffs and subsidies. However, this opposition was largely overcome by Common Market policies which have been highly beneficial to Common Market farmers, sometimes at the expense of other segments of the population.

The effect of interest groups on integration has varied even more from sector to sector after Common Market membership. Agriculture and industry have been basically functionally oriented and, consequently, have moved rapidly to secure benefits denied them prior to entry into the regional organization. This has resulted in increased transactions flows across national frontiers as regional interest groups were formed, businesses established and trade increased. By basing operations on functional

considerations, regional level interest groups from both sectors have enjoyed a smooth working relationship with the bureaucrats in Brussels. Therefore, communications with Common Market institutions have continually increased. The continuous increase in communication between institutions of the Community and respective clientele has served as a legitimizing influence enhancing EEC authority and assisting in creating an atmosphere conducive to further integrative moves by national governments. However, because both agriculture and industry have enjoyed a substantial amount of influence with both national and regional institutions, they have been reluctant to press for increased Community authority. Since businessmen and farmers have enjoyed the best of both worlds, they have been content to continue operations in the milieu in which they were most effective. As a result, spillover--or increases in the scope or capacity of Community institutions--has occurred in the wake of conscious decisions by national policy makers rather than the forementioned interest groups demanding increased authority for a regional polity. Spillover in the case of industry and agriculture has indeed proceeded from political to economic integration. The legitimizing effect of both sectors as measured in terms of transactions flows has been both substantial and beneficial to the integrative process. The student of international affairs should bear in mind, however, that integration in the agricultural sector has resulted in a sort of "continental isolationism"

while industrial integration has occurred under policies which until recently has welcomed foreign investment particularly the U.S. based multinational corporation.

Labor's insistence upon making ideological considerations paramount has resulted in a divided and ineffective force at both the national and regional level. Although the non-communist trade federations have demanded increased authority for Community institutions, their weakness in terms of both membership and unity has retarded their influence with governments at both levels. Although European workers have achieved better working conditions, the advances have been obtained as a result of the shortage of labor in Europe rather than union influence. Employers have been able to create loopholes in Community regulations in order to discriminate against Common Market workers. Analysis of worker mobility within the Community shows that employers have turned increasingly to external sources of labor and that existing intra community mobility occurs primarily among the lower socio-economic stratas. This has served as an impeding factor upon meaningful communication among Community citizens. To summarize, labor seems to have acted as an impeding force in spite of a favorable attitude towards integration. The numerous Community regulations have not been legitimized by increases in the density of communication either across national boundaries or to the Community itself.

An overall evaluation of the past activities and attitudes of economic interest groups shows the presence of countervailing forces both between and within the three sectors. Therefore, while the general impact has been positive because of the activities of industry and agriculture, it has been reduced because of the ineffectiveness of labor. The march toward unification made its most significant advances as a result of high political leadership which was provided by figures such as Monnet, Schuman and Adenauer. We shall now address our attention to the final question: "What will be the future impact of economic interest groups upon regional integration in Europe?"

THE FUTURE

In the opinion of the author, the impact of economic interest groups upon regional integration is likely to be conservative in nature and minor in effect. We have earlier expressed our belief that labor is not likely to overcome the ideological rivalries which prevented it from becoming an effective force in the past. Agriculture and industry are likely to adopt strategies designed to conserve the political influence they have acquired rather than demanding the creation of a new atmosphere which might jeopardize past gains. Therefore, the future tone of communications emanating from the effective policy influencers, agriculture and industry, will favor maintenance of the status quo. This will enable policy makers to disregard the demands of

labor for a system which provides increased authority for the Community and a greater influence on policy for labor.

The effect of economic interest groups on regional integration in the future is also likely to be minor because functionally based integration has neared culmination. In virtually every economic activity, Europeans are influenced by the authority of Community institutions and agencies. Future increases in European unity must of necessity involve areas which are more political than economic in nature. This will necessitate a modification in the type support presently afforded the European community. Past support has been utilitarian in nature with functionally oriented elites basing allegiance on the attainment of economic ends. Integration in areas which are more political in nature, such as a sovereign European government, will require increases in affective support from mass publics. The generation of affective support, if it is to occur, will require leadership by charismatic individual figures operating at national levels and devoted to the goal of an European polity. Such figures are not likely to appear from the groups analyzed in this thesis since these are oriented on the realization of more parochial goals rather than the attainment of a historic dream.

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THE IMPACT OF ECONOMIC INTEREST GROUPS
ON EUROPEAN INTEGRATION

by

HAROLD THOMAS FIELDS, JR.

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AN ABSTRACT OF A MASTER'S THESIS

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European integration has been a complex process with many factors exerting forces which have either assisted or impeded the movement. Economic interest groups have been particularly significant to the process since the Community is primarily a creation of elites and its clientele tends to be restricted to officials and group leaders directly affected by its work. Although the significance of interest group activities on the integrative process has been acknowledged, there has been a considerable amount of controversy concerning their effect. The controversy has arisen because the effect of economic interest groups will vary according to the phase of the integrative process being considered and the functional field represented.

The positive effects of economic interest groups on the integrative process have been largely legitimizing rather than initiative in nature. Integration occurs originally as a result of high political decisions by national leaders. The success of these initiatives is dependent upon increases in functional integration which, in turn, creates a climate conducive to additional political moves towards a regional polity.

Analysis of attitudes and communicative patterns of economic interest groups at varying phases of the integrative

process substantiates the above contentions. While both industry and labor were favorable to integration prior to national membership, significant portions of both sectors opposed the concept of regional unification. Farmers were more unified in opposing integration prior to foundation of the European Economic Community. Agriculture's opposition has been overcome by Common Market policies favorable to farmers and the development of some attachment to the goal of a unified Europe.

Analysis of communicative patterns within the Common Market shows that both agriculture and industry have consistently responded to governmental initiatives by rapidly increasing transaction density in areas placed under jurisdiction of the Community. Both groups have been content to follow political initiatives and have not created a need for further integration by increasing communicative patterns prior to governmental action. The involvement of both sectors in the integrative process after political action, however, makes it extremely difficult for national governments to engage in activities which jeopardize the degree of unity previously achieved.

Labor, because of internal dissention over ideological convictions and worker apathy, has not expanded rapidly across national boundaries or established effective patterns of communication with Community agencies. The existing transnational mobility of workers within the Common Market occurs primarily in the lower occupational stratas, a fact

that assists in creating misconceptions of foreign citizens. Therefore labor, in spite of being placed under a substantial degree of Community regulation, has not contributed positively to the integrative process.

The failure of labor to become effectively integrated into the Common Market has, to some extent, offset the legitimizing effects of agriculture and industry. Unification of the European labor movement would probably assist the movement towards total integration. This is not deemed likely because labor has historically been unable to overcome ideological divisions. The future impact of all three sectors is likely to be minor because agriculture and industry will attempt to conserve gains while labor remains ideologically split. Also, future gains in integration are dependent upon the generation of affective support. The functional sectors of labor, agriculture and labor are not likely to provide the impetus for such assistance.