

European University Institute

Department of Political & Social Sciences

**The European Commission as Policy Innovator:
Bureaucratic politics in Perspective**

Nektarios Alexopoulos

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Examining Jury:

Prof. Adrienne Heritier, European University Institute, Florence, Supervisor

Prof. Giandomenico Majone, *Emeritus*, European University Institute

Prof. Daniel Verdier, European University Institute

Prof. Michael Tsinisizelis, National University of Athens

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INTRODUCTION

This dissertation attempts to explain how the European Commission has become such an active player in the policy-making of the Community during the last twenty years. The Commission appears to be at the heart of the policy-making mainly of the Community pillar but with also significant role in the rest of the pillars of the Union. The responsibilities of the Commission derive directly from the Treaty of the Union that announces it as the exclusive agenda setter in the law-making process of the Community. However, this mandate is not enough to explain the large number of initiatives for policy innovation at the Community level which the Commission undertakes sometimes beyond the will of the member states and the preferences of the various socio-economic interests. In many occasions, using its institutional role, the Commission acts as a genuine policy entrepreneur in the Community's policy-making. Since the Commission is not an elected but an appointed body, the extensive use of its innovative power in policy-making makes its role even more controversial in terms of both input and output legitimacy.

The striking element which led me to study the Commission as policy entrepreneur is its motivation. What makes it such an active player? Obviously, looking at the policy preferences of the organized societal actors and also at the agenda of the member states we do not obtain the observed attempts of the Commission for policy innovation. There are cases where the policy innovation undertaken by the Commission can be attributed to the policy preferences of the state or specific socio-economic interests, but there are also attempts to put forward policies which are against that which the above interests pursue. Thus, there is another interesting point to understand: which are the relations between the Commission and the socio-

economic interests? Who has the upper hand?

The traditional corporatist and elite theories predict that the vested socio-economic interests order and then the administrations accommodate the latter's orders. However, the Commission appears to have obtained its relative independence in reshaping the preference of its policy clients. This is the case when the issue at stake is of low political saliency at the domestic arenas. The public of the member states is not sensibilized to the so-called low profile issues and the governments do not appear constraint by divided voters. In this case, the commission appears to have its hands free to embark upon policy innovation. Which are the strategies followed by the Commission in this attempt? Which factors can increase the possibilities of the Commission to succeed as policy entrepreneur? Many scholars have stressed on the role of the experts as independent sources of policy innovation when the issue at stake is tackled on a problem-solving basis. Is this the case for the Commission's innovative activity? In which way the Commission invites external experts to participate in the game? What types of policies does the Commission pursue? These are questions that this dissertation concerns and tries to answer.

In the mid-1990s, the period when I started working on this research project, relatively little had been written on this subject. In the years that followed the literature on the subject has developed and many experts have contributed to furthering the understanding of the nature and functioning of the Commission. Within this academic context, my study seeks to understand a specific part of the broad role of the Commission in Community policy-making: the Commission's role as a policy

entrepreneur. The Commission does not act as a unitary actor in a policy domain. Different departments pursue different and some times conflicting dimensions of public interest. For example, some departments have the mandate to protect the environment while others seek to promote the industry's competitiveness. Is this division of labor able to lead the various administrative units to embark upon bureaucratic competition in order to dominate the Commission's policy output? Is this policy competition able to lead to policy expansion? How is the strategic game between Commission's administrative divisions, states and societal organizations structured ? The premise of this study is to understand the policy-making process as an interaction of the Commission's top-officials involved in the policy domain with their policy clients and other external policy suppliers. The aim is to provide a middle-range theory of bureaucratic policy innovation in order to shed more light on the driving forces of European policy expansion.

This dissertation is divided into four sections. First, I provide the theoretical framework for the role of the Commission in the Community policy-making. I raise specific hypotheses which link this with the structure of interaction between the involved administrative departments of the Commission and their policy clients, socio-economic interests and other external policy suppliers, the experts community. In the second chapter, I test the proposed theoretical framework against the empirical findings in the case of the innovative policy-making of the European Commission, and specifically of Commissioner Martin Bangemann, and the Directorate General for Industry (DGIII) in the field of Maritime Industrial Policy. In this case, the policy innovative attempt takes part within the environment of a well-developed Commission administration with a well-established structure of interaction with its

policy clients industrial and other societal interests and other external policy suppliers. In the third chapter, I examine the theoretical arguments under different conditions. I test the theoretical framework against the empirical findings in the case of innovative policy-making of the Commissioner Christos Papoutsis and the relevant administrative unit of the Commission in the field of tourism. In this case, the tourism related administration of the Commission is underdeveloped and with weak links with other intervening administrative unit and its policy clients, and external policy suppliers. Finally, I assess the general value of the proposed theoretical arguments based on a comparative examination of the findings in the cases of maritime industries and tourism.

CHAPTER ONE: THE THEORETICAL FRAMEWORK

The research task of this dissertation is to examine the involvement of the European Commission in innovative policy –making. It is true that the Commission especially the last 20 years and after the kick off the Single European Act has been proved a very active player in promoting, through innovative policy-making, the European integration. There is a variety of theoretical approaches to the understanding and study of this process, from the grand theories of neo-functionalism (Hass 1958, Lindberg 1963) and inter-governmentalism (Hoffmann 1966), and liberal inter-governmentalism (Moravcsik 1991) up to middle-range theories such new-institutionalism (Bulmer 1994) and policy networks (Peterson 1995). The grand theories look at the integration process as a whole and the middle-range theories examine particular aspects of the process stressing on the role of the institutions and middle-range policy actors. I will accommodate my attempt to explain the innovative role of the Commission within the last string of theories since the target is to explain the structure of interaction between the policy innovators and the rest of the involved elements of the examined policy-making.

Grand theories can also contribute to understand the conditions under which the Commission has more or less degrees of freedom to act. I am well aware that all these competing theories have been criticized that they provide partial explanation of the policy-making and the integration process of the Community. All theories, when they are applied empirically perform weaknesses to explain specific events in the integration process or specific aspects of Community policy-making. This led in

recent years most of the scholars of the European integration to accept that there may be no one theory to capture all aspects of European policy-making (Hix 1999, Nugent 1999, Sandholtz 1996). Rather, we should admit, as Majone, Dehousse (1993: 2) puts it “no single theory or disciplinary approach can possibly explain a complex, dynamic and in many respects unique process like European integration”. Hence, it is needed to review the various theories and to provide a typology of the policy-making of the Community in order to see under which policy conditions policy innovation is the dominant element in the functioning of the Commission.

In order to obtain a clear and consistent typology, I try to gain from the good properties of game theory in presenting with clarity patterns of strategic interaction amongst purposeful actors. For this reason, I organize the theory review on game theory approach. I follow a game theory approach to present the structure of policy-making of the Union. This structure is presented as a two-level game played simultaneously in nested policy arenas, the domestic and the Community arena. The players are governments and societal actors. The Commission is understood here as a dynamic third party with significant impact on the interaction of the above players. I review the theories of EU policy-making by providing a typology of three identified types of Community policy-making based on two analytical parameters of the structure identified at the macro level; the level of salience of the issue under consideration in the domestic arena, and the level of the expressed interest of the Commission to become involved in the specific policy-making.

From this discussion, as we will see, it comes out that most issues entered in the

Community agenda are of low political visibility. If an administrative unit of the Commission expresses high interest to deal with such an issue by pursuing new policies, then bureaucratic politics amongst the involved players occur with the Commission being the driving force. In this case, how can I model the role of the Commission? Grand theories cannot tell much on this point. Middle-range theories of neo-institutionalism are applicable in this case. From the existing theories Principle-agent theories (Pollack 1997) provide a good explanation for the room of maneuver which the agent-Commission holds, due to its embedded advantage in terms of information and expertise over its principle-Council. This asymmetric information and knowledge structure reduces the ability of the principle-Council to obtain full control over the functioning of the agent. However, this approach cannot elaborate on the strategies followed by the Commission and the types of policy outputs pursued. Commission is still treated as a unitary actor and everything is explained in relation to its relative independence from the principal-Council.

I could also argue that the theoretical approaches that try to legitimize the role of the Commission as a body with the properties of an independent regulatory authority are rather restrictive since they focus only on the regulatory role of the Commission (Majone 1997). Thus, a theoretical approach that goes beyond this point and explains at the micro- and meso-level the way the Commission acts as policy entrepreneur is needed. Clearly, principle-agent theoretic arguments and normative approaches for the role of the Commission as regulator contribute significantly to the understanding of why the Commission jumps in--or should jump in--the game, but they do not explain adequately how the whole entrepreneurship occurs.

For this reason, I revisit the bureaucratic model of decision-making popularized in the 60s by Graham Allison (1971) and Anthony Downs (1967) and incorporate elements of the bureau-shaping model proposed by Patrick Dunleavy (1991) for explaining the functioning of top-officials within their organizations. I adapt these arguments to the functioning of the top-officials of the Commission, namely the Commissioners and the executive staff of the administration and I test them against the empirical material in the following chapters.

The European Union Policy-Making: A Game Theory Approach

A complete description of EU policy-making must take into account: a) both the horizontal channels of interaction amongst the different chief-negotiators of member states and the vertical channels between state leaders and their electorates, and b) the role of EU institutions such as the European Commission, and the European Court of Justice to the extent that they function according to their own bureaucratic organizational interest over specific policy agendas.

Based on a game theory approach, the proposed analytical framework incorporates explicitly the involvement of the Commission and the vertical and horizontal channels of interaction between state leaders and followers. I present the EU decision-making as a structure of nested games¹, in which voters impose constraints on their leaders, when the latter operate also as negotiators in the EU principal arena. In this structure,

¹ For a definition of nested games see Tsebelis (1990) who introduced and developed the concept

the Commission, according to the EU institutional design, acts as a dynamic third party with significant impact on the interaction of both state leaders among themselves and with their followers.

This game is of the nested type because: a) chief-negotiators at the European arena hold their own ordering in policy preferences, which, in turn, depend upon the ordering of preferences of their followers, who hold the same policy tastes although their ordering may not coincide with that of their leaders, and b) due to its dynamic functioning as a bureaucratic organization, the Commission is able to influence the pay-off of the chief-negotiators in the principal and the electoral arena. The interaction of the Commission with the players of the game as it is carried out in both the European-principal and domestic-electoral arenas can be understood as a comparative statics problem between two situations: one without and the other with the participation of the European Commission. The interference of the Commission may change the pay-off for the actors. The leaders will have different pay-offs and, therefore select different strategies, according to whether the Commission ends up expressing high or low interest in the specific policy agenda. The equilibrium strategies of the two games, with and without interference of the Commission, have to be calculated and compared.

I construct the nested games of the EU decision-making process in both the European and the domestic arenas, and I try to identify and evaluate at the macro-level the significance of the European Commission Union in determining the output of the games, reviewing the recent developments in the European integration literature and,

more specifically, in the branches of neo-institutionalism and formal models (Peters 1992; Dehousse and Majone 1993; Blumer 1994; Bueno de Mesquita and Stokman 1994; Cram 1994; Majone 1994; Heritier 1996; Scharpf 1996; Garret and Tsebelis 1996), and neo-liberalism (Keohane and Hoffmann 1991; Moravcsik 1993; Sandholtz and Zysman 1989; Garret 1992).

To simplify matters, I assume that these games are of a one shot type. I follow Tsebelis' book symbolizing for players' payoff and his structure of presentation of nested games (Tsebelis 1990; ch. 3). There are two players, state-leaders and their followers, in both arenas, the European and the Domestic, and in each game, the players have a choice between the same two strategies: cooperation and compromise over the issue at stake, or non-cooperation and intransigence, where every player prefers his/her own way over the issue. The pay-offs are symbolized by the same letters (T,R,P,S). What differs is the order of these pay-offs in each game. In the case of mutual cooperation each player receives a reward R_i from the implementation of the new collective policy. In the case of mutual non-cooperation each player receives a penalty P_i from the absence of a collective policy at the European level. When one cooperates while the other opts out, preferring its own way or free riding, the player who is willing to compromise receives the sucker's pay-off S_i , and the higher the S_i the more willing this player will be to compromise. The player who is unwilling to compromise receives the temptation pay-off T_i , and the higher the T_i the more tempted this player is to follow his/her own way.

	Player 2	
	Cooperate	Non-Cooperate
Cooperate	R ₁ R ₂	S ₁ T ₂
Player 1		
Non-Cooperate	T ₁ S ₂	P ₁ P ₂

Table 1: Pay-off Matrix for leaders and followers in Domestic and Community arena

The followers, vested interests, pressure groups and voters, when they are not polarized over the issue at stake, play the prisoners dilemma (PD) game, where a mutual compromise over the issue is preferred over the mutual intransigence. In this game the players identify that they share a common interest over the negotiated issue. However, the lack of trust among them discourages them to reach the preferred agreement with the highest pay-off. When the followers hold completely divergent preferences over the negotiating issue, are polarized and play the deadlock game, preferring more in this case to have their own way, which is the most preferred pay-off of the game.

Non-polarized chief negotiators play the prisoner's dilemma game for the same reasons as their followers play. For polarized chief-negotiators, as for their followers, the most preferred outcome is to have their own way, or to free ride when the opponent signals his/her inclination to accept this way and compromise over the issue. However, what differs in the ordering of negotiators' preferences and of their

followers is that negotiators always prefer to compromise and cooperate under the threat of their opponents for opting out, or mutual intransigence, especially when they are aware that state policies are not longer optimal in the long term. Hence, for polarized chief-negotiators, the game is of the chicken type.

Inequalities (1.1), (1.2), (1.3) present the different ordering of pay-offs in the three possible games:

In the case of non-highly divided states over the policy issue at stake followers and chief-negotiators play the same game:

Pay-offs of followers and chief-negotiators: $T_i > R_i > P_i > S_i$ (Prisoners' dilemma) (1.1)

In the case of highly divided states over the policy issue at stake followers and chief-negotiators play different games:

Pay-offs of followers $T_i > P_i > R_i > S_i$ (Deadlock) (1.2)

Pay-offs of chief- negotiators: $T_i > R_i > S_i > P_i$ (Chicken)

(1.3)

The above one shot games could represent the behavior attributed to leaders and followers by the group of European integration theory literature mentioned above. One can verify from 1.1 and 1.2 that, regardless of whether the game is the prisoner's dilemma or deadlock, the state-leaders and their followers are better off when they play "non-cooperate", no matter what the other does. Therefore, the solution for both of the one shot games is mutual intransigence. In the case of prisoner's dilemma, the unique equilibrium pay-off (P_i, P_i) is Pareto inferior, which makes the equilibrium

unstable. If there is the possibility for the players to communicate and commit themselves in mutual cooperation, they can obtain the (R_i, R_i) equilibrium which is the first best outcome of the game, with the pay-offs for the players on the Pareto frontier. An institution such as the CEU could provide such a possibility. This is the case that academic scholars of international organization theory such as Robert Keohane (1984) propose to legitimate an active “hegemonic” role for international organizations in order to enforce the states to achieve superior multilateral agreements. We will return later to examine what it is that allows the CEU to act in such a way. For the moment let us hold that, in this case, CEU has a legitimate role in the negotiations, namely, to help the negotiating parts to achieve the Pareto superior collective output.

In the case of the deadlock game, the unique equilibrium strategy of non-cooperation for the followers is stable because it is also Pareto optimal, and therefore it cannot be challenged by any collective action. In this case, the chief negotiators of the states at the European arena, appear to be heavily constraint by their followers who are unwilling to accept an agreement over the negotiating issue. At the same time, as already mentioned, the negotiators hold mutual intransigence as the least preferred output. The crux is that chief-negotiators can be replaced if they do not promote the policies their followers advocate. In fact, leaders are interested not only in negotiating successfully in the European arena, but also in maintaining their position as leaders in the domestic arena.

Following Tsebelis’s definition and terminology of nested games, leaders’ pay-offs at

the European arena are contingent on the pay-offs of their game in the domestic arena. As a result, their actual pay-offs will be a convex combination of the pay-offs in the two arenas. The choice of linear combination to break down the leaders' actual pay-off is because of its simplicity (Tsebelis 1990; 166). In algebraic terms:

$$POL=(1-K)POE+KPOD$$

where POL symbolizes the actual leaders' pay-offs, POE is leaders' pay-offs if they play only in the European arena, POD is leaders' pay-offs if they play only in the domestic arena, and K is in the interval (0,1), and indicates the degree of significance of the domestic arena or the weight of the followers in the negotiations of the chief-negotiators, while (1-K) indicates the weight of the European arena.

When K increases, chief negotiators give most weight to their domestic arena, and their POL is very close to the POD of their followers. In terms of politics, this means that when the salience of the negotiating issue is high in the domestic arena, voters care a lot about the issue and the room for maneuver for elites decreases. The chief-negotiators will be heavily penalized, if not replaced, if they do not comply with their followers' policy preferences over the issue. The order of POL coincides with the order of POD, the inequalities (1.1) (1.2) hold, and therefore the chief negotiators are involved in a prisoner's dilemma or deadlock game. In this case, in the absence of any communication, the dominant choice-strategy for the negotiators is non-cooperation, which leads to a Pareto inferior outcome. Then, an active institution such as the European Commission could establish a communication channel and provide the above-mentioned conditions to the players for achieving a Pareto efficient outcome.

If K is very small, the followers do not care much about the issue, the salience of the issue is relatively low, and chief-negotiators can play in the European arena without constraints. In the case where the states hold convergent policy preferences, the ordering of POL follows the inequality (1.2) and the game is prisoner's dilemma. In the case which States are polarized over the policy issue the ordering of POL follows (1.3), and the game is chicken. This is a game with multiple equilibria. Each player makes his/her best choice according to his/her opponent's choice. If, somehow, one player makes it clear that he/she prefers his/her own way, then the other is willing to compromise with him/her, receiving side payments or promises to have his/her own way in other issues which are more important to him/her. The same reasoning may produce the reverse outcome, where the first player compromises when the second prefers his/her own way. Both of the outcomes are equilibrium points, but in the absence of specific communication conditions, there is no obvious way of arriving there. The divergence of policy preference generates a problem of coordination between the two players. In any case, in this game, mutual intransigence is the least preferred (worst) outcome for both players.

The fear of arriving at this worst possible outcome, in which the pay-off for each player is P_i , may, under certain conditions which will be specified subsequently, lead both players to compromise over a European policy solution. We understand that in the case of chicken, where chief-negotiators are less constrained by the domestic arena, the solutions are more complex, being contingent on the opponent's strategy. Politics thus become more pragmatic, and third parties, such as the European Commission, which can influence the game providing the players with the already mentioned specific conditions of communication, play a central role.

To sum up this discussion, chief-negotiators play a prisoner's dilemma or a deadlock game when their hands are tied by their followers in the domestic arena. Alternatively, when the leaders are not heavily constraint by the domestic arena they play the prisoner's dilemma when their followers are not polarized, or a chicken game when they are polarized in terms of policy preferences. From our analysis the role of third parties such the European Commission may be proved crucial in driving the players to follow strategies, which lead to an equilibrium outcome of the game on the Pareto welfare frontier.

The Role of the European Commission in the Nested Game in Both the European and the Domestic Arena

Let us now examine how the Commission plays this role. A prisoner's dilemma or a chicken game may have, under certain conditions, mutual cooperation (in our case a new policy arrangement at the European level) as equilibrium strategy:

"In prisoners' dilemma, or chicken game, when correlated strategies are possible, the likelihood of cooperation increases with R and S and decreases with T and P. the logic of these arguments rely on the development of correlated strategies. In order to develop such strategies, promises, threats, credible threats, or punishments are required". (Tsebelis 1990: 68)

Through its active interference in the game, or by simply providing a communicative channel for the players, the Commission helps them to develop correlated strategies, promises and credible threats (punishments or rewards). Contingent strategies are then possible, and this will induce actors to change their strategies in the principle arena of intergovernmental bargaining, and, finally, cooperation amongst rational,

self-interested opponents in the prisoner's dilemma or chicken game can be developed.

There are two ways through which the Commission could alter the equilibrium solution of the State-State game: a) by changing the chief-negotiators' actual pay-offs [POL:Ti,Si,Pi,Ri] of the game in the European and the domestic arenas (Tsebelis, 1990), and b) by strategically choosing the timing of initiation of an alternative policy in the negotiations arena, promoting European policy solutions based on convergent state policy preferences (Dehousse and Majone 1993), and postponing issues on which states are polarized and the game is deadlocked (Bueno de Mesquita et. al. 1994; Tsebelis 1994). To achieve this, the main policy instruments in the hands of the Commission are, first, its role as agenda setter for formal negotiations as derived from the Treaties of the EU, and secondly, its capacity to channel information on the benefits and costs of an alternative policy in such a way that it can shape preferences within the state's domestic arenas, altering the salience (changing K) of the issue in which the Commission expresses certain interest. Finally, another instrument in influencing the cost and benefit of an alternative policy is the Commission's competence to impose penalties (changing Pi) or to introduce rewards (changing Ri,Si) through the management of material and legal resources that the Commission constitutionally holds.

The Increasing Irrelevance of the Domestic Arena for the European Arena and the Rise of Invisible Politics

As already stated, if chief-negotiators are heavily constrained by the domestic arena ($K \gg$), then the masses are influential in both arenas –the domestic and European-- of the decision-making process. This constitutes a type of visible politics, that is according to Tsebelis words “politics designed to be watched, and approved, by the electorates” (1990; 167). The reasoning outlined above assumes that leaders take as given the preferences of their followers (exogenously set preferences and perfect information) and then they represent them in the European arena. The equilibrium strategies of mutual intransigence can also be predicted using the theoretical approach of ‘two-stage intergovernmental bargaining’ (Moravcsik 1991), which assumes exogenously set preferences by the domestic actors.

A closer approach to reality, however, involves imperfect information and the assumption that grass roots societal actors and voters do not hold exogenously set preferences. These assumptions make all the types of actors discussed above less influential in the decision-making process. Societal groups may be “pressured” as well as exert “pressure” (Peters 1994: 10), and they may, under specific conditions, mobilize their followers in order to increase the share of the segment they represent in the European game. If this is the case, the preferences of the interacting actors over the issue, instead of being a rigid constraint for the leaders of the states in the intergovernmental bargaining arena, can be manipulated by the leaders and so become “a strategic weapon” for the negotiators according to their individual preferences.

For these reasons, chief-negotiators are less constrained by the electoral arena, and this allows them to play a game less visible game to the wide public. The rules of this game and its institutional setting provide an efficient bargaining procedure for the negotiating parties. A bargaining procedure is efficient when it produces an equilibrium output from which none of the negotiators has a reason to deviate.² The process itself --rules and institutional framework-- is designed to provide to the negotiators both, information and the capacity to make contingent strategies. These strategies are open to the public only to the extent that it contributes to the effectiveness of the strategies themselves. The bargaining output has to be approved directly by the followers of the negotiators, otherwise it is not efficient, but the bargaining procedures do not have to be watched by the followers. This constitutes what is often called informal politics.³

I argue that elite leaders enjoy an oligopolistic position in representing the interest of their group within the domestic arena, which allows them to shape their followers' preferences. At the same time, the cost of information regarding elite leaders' behavior is very high.⁴ Under these conditions, the salience of an issue is not exogenous to negotiations. On the contrary, K depends on the availability of information to the followers and the oligopolistic power of representation which chief negotiators hold. The less informed the followers are and the more oligopolistic

² For a presentation of the concept of efficient bargaining see Milgrom and Roberts (1992): 19-48

³ See Middlemas in Crouch and Marquand. (eds.) (1992)

power of representation the chief-negotiators hold, the more the salience of an issue may be manipulated. If we add that in any case an issue, in order to become of high salience for a state, has to pass the test of being crucial for a sufficiently large majority of citizens of the state, and moreover, that few policy issues pass this test, we could argue that most of the issues negotiated in the European arena hold low K and are, for most of the time, of low significance for the wide public.

Furthermore, in line with the tradition of bureaucratic politics, “problems are resources as well as mere problems, and organizations attempt to seize on or to create (conceptually if not in reality) problems in order to enhance their own power” (Allison 1971). This may be particularly applicable to the behavior of the Directorate Generals (DGs) of the Commission when they demonstrate high interest in specific policy arenas, and also to the behavior of the national administrations. However, this does not imply that bureaucrats are free to promote an issue towards high salience in the domestic agenda. On the contrary, they have to act under “environmental-background” constraints. In the case of non-polarized states over a particular issue, the invisible game is of a prisoner’s dilemma type, while in the case of polarized states, it resembles more to a chicken game. In these cases, the intergovernmental bargaining theory becomes very weak in explaining the far more complex invisible bargaining.

The Institutional Design of Invisible Politics at the EU; The European

⁴ For a complete analysis of the role of information on elite interaction with their followers and its influence on the final output of nested games see Tsebelis (1990): 164-172

Commission

I argue that the design of invisible bargaining at EU level most resembles to G. Allison's bureaucratic politics model. Domestic and supra-national concentrated groups--small size groups in the Olsonian world⁵--organizations, government and CEU departments, political individuals, and top-bureaucrats are involved in the decision-making process without the predominance of anyone participant.

The increasing irrelevance of domestic arenas as external constraints on European-wide games opened up the decision-making process of the EU to qualified majority rule and confined unanimity to only a few issues crucial for the sovereignty of the states. The majority rule in turn triggered participation in bargaining and coalition formation, and a large number of possible winning coalitions exist in any policy agenda.⁶

In this process, the European Commission, because of its constitutional task to be the formal agenda setter, is the key player. The Commission could provide binding constraints to make states compromise and to reduce the temptation to "cheat", and, moreover, the Commission may under specific conditions, shape the preferences of the Council of Ministers by providing new information and altering the pay-offs of reward in case of cooperation over the issue at stake. In this sense, echoing Peters:

"...Although the great decisions about Europe are taken at the level of prime ministers, much of what happens depends on less glamorous bureaucratic

⁵ See Olson. (1965)

⁶ See Bueno De Mesquita and Stokman (eds.) (1994).

interaction and bargaining.” (Peters 1992: 121).

The Commission normally issues between 4000 and 5000 legislative instruments per year. These are in the form of directives, regulations and decisions. Most of them have to be approved by the Council of Ministers, which basically does so without modifications. Some others are restricted to decisions that follow directly the implementation of existing legislation (administrative law).⁷ The later should not be underestimated since they belong to the implementation stage of the policy making, which very often proves more important for policy receivers than the policy decision itself (Peters 1992). This makes bureaucracies even more crucial players in the policy making process. “Eurocrats”, in charge of interpreting and executing legislation using their discretionary power, can drastically influence and modify the policy output in favor of one actor or another. Since it has to do with uncertain future behavior, the nature of legislation itself resembles to an unwritten contract between the policy supplier and the client, and leaves as much room for policy maneuvers to the executives as is enjoyed by judges, e.g. see implementation of merger policy.⁸

Some students of agenda setting (Baumgartner and Jones (1993) for example) have argued that organizations seek to impose monopolies of problem definition over particular policy areas. These organizations tend to have a particular range of solutions and policy definitions available to them (e.g. competition policy), and may want to utilize those solutions as the means of gaining as much competence as

⁷ See Nugent (1992): 71

⁸ See Burley and Walter (1993); Majone (1995).

possible. The DGs, may therefore compete with one another in order to monopolize the policy arenas and define the agenda. Even in the reverse case, where the issues are not set exogenously by societal groups and individuals, and policy makers do not function as “issue takers”, but rather as “issue shapers”, it is very rare for this policy domain to become dominated by only one “issue-shaper” in the negotiated agenda. I argue that the definition of policy within the institutions of the EU is sufficiently loose and unstructured that there will be few monopolies. There will be, rather, a continuing pattern of competition and instability, with the Commission acting accordingly, as a developing bureaucracy of the EU, constitutionally committed to making policy at the supra-national level.

In the context of the above analysis, I argue that: a) when the Commission demonstrates high interest for a specific decision agenda, such as industrial policy, competition policy, environmental policy etc., but the issue is of low salience on the domestic agenda, then the competition amongst the various DGs themselves, and the DGs and national and sub-national bureaucracies is dominant, and can only be understood through bureaucratic politics analysis, and b) in the case of low salience and low interest for the Commission, the policy network is localized and the decision domain is well-defined within the borders of a DG or a vertically integrated process, from the sub-state up to supra-state level of decision-making. There are no overlapping or crossing interests concerning problem definition and solution functions. In this case, the decision process does not resemble bureau-conflicts over the domination of the issue at stake.

To have a general overview of the role of the European Commission in EU decision-making, based on this game theory approach and supporting discussion, I systematize the EU policy-making according to the salience of the issue in the domestic arena and organizational interest expressed by the Commission over the policy issue at stake. I provide below a typology of three different decision-making structures.

	Organizational involvement of the Commission	
	High	Low
Issues of HIGH salience in the domestic arena	Intergovernmental bargaining dominance	Intergovernmental bargaining dominance
Issues of LOW salience in the domestic arena	Bureaucratic politics	“Localized” politics dominance.

Table 1: The Decision Structure of EU policy-making

Decision-Making structure I: “Intergovernmental bargaining dominance” is prevalent when the issue at stake is of high salience in the domestic arena ($K \gg$). In this case the Commission acts as a third party with minimum influence, a broker for example, to the state-state prisoner’s dilemma or deadlock game, trying to enable them to reach stable equilibrium around “Pareto superior” cooperation.

Decision-Making structure II: “Bureaucratic dominance” is prevalent, when the issue is of low salience ($K \ll$) in the domestic arena and the Commission interest is high at the Community level. Here, the Commission acts as a powerful third party to a prisoner’s dilemma or a chicken game amongst states. In this case, the nature of invisible politics and the bargaining amongst various organizational actors provides the Commission with more room to act as policy initiator, mediator and innovator in an attempt to lead the negotiating parties to stable equilibrium points on the Pareto frontier. When this is the case, bureaucratic politics take part: a) within the Commission amongst the various policy units (DGs), and/or b) amongst the Commission and state and sub-state bureaucracies.

Decision-Making structure III: “localized dominance” is prevalent when the salience of the issue is low in the domestic arena and the Commission also expresses low interest over the policy issue. In this case, we deal with a sub-case of bureaucratic politics, the “soft bureaucratic politics” over the implementation of a European policy, where the principle of subsidiarity is the rule of the game. In this case, the Commission acts as the guardian and the monitor of the EU legislation, trying to decentralize to state and sub-state level the administrative work and the less prestigious and more troublesome part of the policy-making.

I use the term of policy “dominance” of one structure over the others in the sense that, in each policy case, all the three decision-making type-structures co-exist, but one-the dominant- is the main channel of decision-making at the EU level. Our analysis shows that in the above structures the innovative role of the European Commission is central in the case of bureaucratic politics (low political saliency, high interest of the

Commission). For this reason I concentrate on the relative theoretically unexplored area, as we earlier discussed, of bureaucratic politics in order to provide a testable explanatory framework for the innovative role of the Commission in the structure of bureaucratic interaction.

A Bureau-Shaping Model for the European Commission; Opening Up the “Black Box”

I revisit the bureaucratic model of decision-making popularized in the 1960s by Allison and Downs and, by incorporating elements of new institutionalism, I adapt it to the case of the policy-making of the European Commission. We have to bear in mind that Allison’s bureaucratic politics model describes decision-making only as it occurs in the executive branch and not in the legislature. There are two main elements of Allison’s bureaucratic model. The first forms the “structure” of the decision-making model: numerous individuals and organizations, with varying interests, are involved in any single issue, without the predominance of any participant. The second element comprises the decision-making “process”: the decision is formulated through bargaining and compromise, and considerable slippage occurs during implementation. I keep these broad principles of the bureaucratic politics model, avoiding any stricter definition, because, I believe, these two characteristics capture the essence of the model and make it applicable in the decision -making of the European Commission.

In our case we extend the use of bureaucratic policy model to explain the role of the Commission, not only as a US type of pure executive body, but also as a main element of the legislative process, acting as the embryo of a European type of government, accountable to the European Parliament and to the Council of the EU.

Despite the fact that decisions are taken on the basis of collective responsibility, each member of the Commission has special responsibility for one or more policy areas. The Commission is backed by a civil service. It comprises approximately 15000 officials divided between 26 departments, called Directorates-General (DGs), each one of which is responsible for carrying out common policies and general administration in a specific area.

According to the bureaucratic politics model, the top officials in this complex structure often have to deal with different societal interests and priorities and are concerned with very different questions. The various participants in this decision-making process attempt to promote their own perceptions of what constitutes personal, group, organizational, or national interest. The policy output of this process does not necessarily emerge as a solution to the problem, but rather results from compromise, conflict, and sometimes the confusion of top officials who represent diverse interests and have unequal influence in the decision-making process.

In order to understand the motivations and policy strategies of the executive staff of the Commission, I adopt a bureau-shaping model as it has been proposed by Dunleavy (1991), as an alternative to the rather restricted conventional public choice bureaucratic models of budget-maximizing bureaucratic behavior (Niskanen 1971). The main argument of the bureau-shaping model is that the overall policy of a bureau is set by some combination of individual decisions made by its officials and by interaction with its external environment. Following Downs (1967), the external environment of agents consists of a) sovereigns (“sponsors” in Niskanen’s

terminology) which, in the case of European Commission are the Council of Ministers and the European Parliament, b) rival agencies, which in the case of Commission are other DGs of the Commission and state and sub-state bureaucracies, c) suppliers of input services, e.g. external experts, epistemic communities etc., and d) clients, which, for the Commission are states, regions, firms, organized interests and individuals. The model considers that officials are individual-welfare maximizers and not the Weberian type of altruist civil servants.

According to the bureau-shaping model, the officials' influence on the policy of their bureau is always rank-structured, with those near the top being most influential. Therefore, we concentrate on their utility function. Departing from the conventional public choice position that public officials, like any other managers, are salary-maximizers, I assume that higher-ranked bureaucrats place more emphasis upon non-pecuniary utilities such as status, prestige, patronage and influence, and most especially on the interest and importance of their work tasks (Kingdon 1984). Administrative sociology literature also provides positive and negative values ascribable to bureaucrats, where, clearly there is always a pecuniary parameter (income, job security or perks). As soon as this parameter is satisfied, however, these bureaucrats then turn towards non-pecuniary utilities (Dunleavy 1991). Therefore, I adopt the position that rational officials want to work in small, elite, collegial bureaus close to political power centers. They do not want to be heavily staffed, with a large budget and dominated by routines, conflicts and low status agencies.

Any bureaucrat has a range of both individual and collective strategies available to

boost his or her welfare. I assume that rational bureaucrats put their efforts primary into individual utility-maximizing strategies. They only pursue collective strategies for bureau-shaping when individual options are foreclosed or are already fully exploited. In any case, the main argument is that top officials maximize their individual utility by reshaping their bureaus, while constrained by: a) their own interpretive framework of policy-reality, b) the policy-identity (pro-liberal, more interventionist, etc.) that the bureau develops through its continuous dealing with the specific policy domain (the history of the organization), and c) the actual configuration of the bureau's external environment.

In particular terms, bureau-shapers take into account the above constraints by evaluating the cost of a shaping strategy typically based upon the volume of work needed to prepare special papers, attend difficult meetings, cultivate external allies and contacts, respond to sovereign criticisms or investigations and justify the bureau's case in public. Although I accept that, "what each decision maker really wants in his heart of hearts is more radical than what is practical" (Bueno De Mesquite and Stokman 1994: 85), I assume that bureaucrats are risk averse, weigh high their environment and adopt their policy preferences close to what is practical and realistic. Therefore, it can be argued that the environmental conditions, since they determine the cost of advocating a policy change, have the major impact upon how officials evaluate their utility pay-offs obtained by pursuing this policy change.

From the above discussion, we can draw the following assumption, which constitutes a necessary condition for top-officials to pursue a policy change: a strategy for bureau

shaping is put forward by a top-official when his or her expected utility pay-offs from the change are greater than the cost of advocating this particular change and any alternative benefit derived from other bureau-shapes including the status quo.

$\text{(Expected Utility from a policy change)} - \text{Cost of policy advocacy} > \text{Alternative benefit}$ <p style="text-align: center;">Net Expected Utility Pay-off</p>

Dunleavy⁹ systematizes the bureau-shaping strategies in his bureau-shaping model around five main categories:

1. *Major internal reorganization of the Bureau.* Changes in structure that can increase the degree to which an agency conforms with the elite policy-making ideal. Any expansion is concentrated at the policy making level.
2. *Transformation of internal work practices.* Policy-level officials want to increase the interest of their work tasks, lengthen the time horizons used in decision-making and extend their discretionary ability to control policy. A shift towards more sophisticated management and policy analysis systems insulates the agency from criticism by rival bureaus, external partners (experts, epistemic communities etc.) or the sponsor body (legislator).
3. *Redefinition of relationships with external “partners”.* Policy level officials promote in relation to their clients (regulatees, interest groups) policies that increase discretionary involvement in the relevant issue, implying a shift towards a more

⁹ Dunleavy 1991: 202-205.

corporatist style of relationship. In relation to external policy advisers and contractors, they follow a hands-off approach and seek to minimize the dependence upon external organizations.

4. *Competition with other Bureaus.* The top-officials of a bureau embark upon competition with other bureaus searching for policy programs and policy issues that fit with their ideal bureau form. In this case, the competition resembles an oligopolistic competition, where one bureau acts as challenger and the other as incumbent.

5. *Load-shedding, hiving off and contracting out.* Central government departments may simply be able to legislate the transfer of complex and troublesome policies to local government or quasi-government agents. In addition, ancillary functions can be contracted out to private firms.

Another way of representing bureaucrats' decision over their collective bureau-policies is a "Demand and Supply" model of the conditions in which bureaucrats seek further new policy increments. The demand curve for advocacy of new policy outputs shows how officials' expected marginal utility (EMU) changes with new policy increments. The horizontal axis of the graph measures the level of the bureau's policy output and the vertical axis measures the marginal costs and the expected marginal

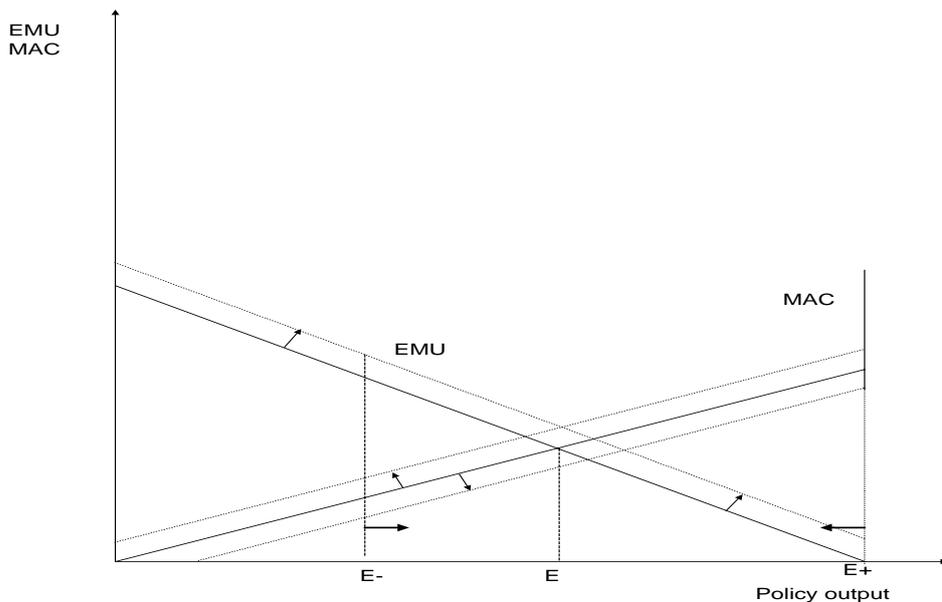


figure 1

utilities of each unit of output for top officials.

The EMU curve falls as output increases, reflecting the general presumption in economic analysis of diminishing returns to scale i.e. after a point every new increment of policy output gives less satisfaction to the officials.

The Marginal Advocacy Cost (MAC) curve rises with increased outputs, mainly because of the increased volume of the work needed to prepare and advocate successively new policies. This is due to the fact that the more policy output an agency wants to deliver, the more external hostility it receives from other agencies which also fight for scarce means of policy-making. Since the MAC is defined above as net cost, it also takes into account other welfare boosting options, or, algebraically:

$$\text{MAC} = (\text{Marginal cost of Advocacy}) - (\text{Alternative benefit}).$$

At the point where an agency is unlikely to obtain further increase however hard it pushes, the cost curve becomes vertical. If external hostility changes, increasing or decreasing, then the cost curve shifts up or down respectively.

In this graph, bureaucrats advocate expansion in the agency's activities if its policy output is to the left of the equilibrium position (E). But if the bureau's current position is to the right of the equilibrium, officials do nothing, switching attention instead to other individual or collective strategies for improving their welfare. Note here, that the alternative to budget maximization is inaction, not advocacy of budget reductions as conventional public choice theory predicts. The bureau-shaping approach (Dunleavy

1991) treats the budget maximizing models of behavior of bureaucracies as partial models of a wider variety.

The bureau-shaping model argues that normally the equilibrium policy output level lies on the sloping section of the MAC curve, since senior officials respond to changes in environmental favourability or hostility in sensitive and sophisticated ways that affect the shape and placing of the whole MAC curve. Over the longer term, the bureau-shaping model claims that bureau-shaping internal reorganizations are very unlikely to simply inflate the DMU curve along its existing shape. Far more commonly, the DMU curve changes shape, swinging in a clockwise direction so as to maximize the benefits which senior bureaucrats derive from internal reorganization, while reducing their dependence on high levels of budgets in order to maintain their welfare.

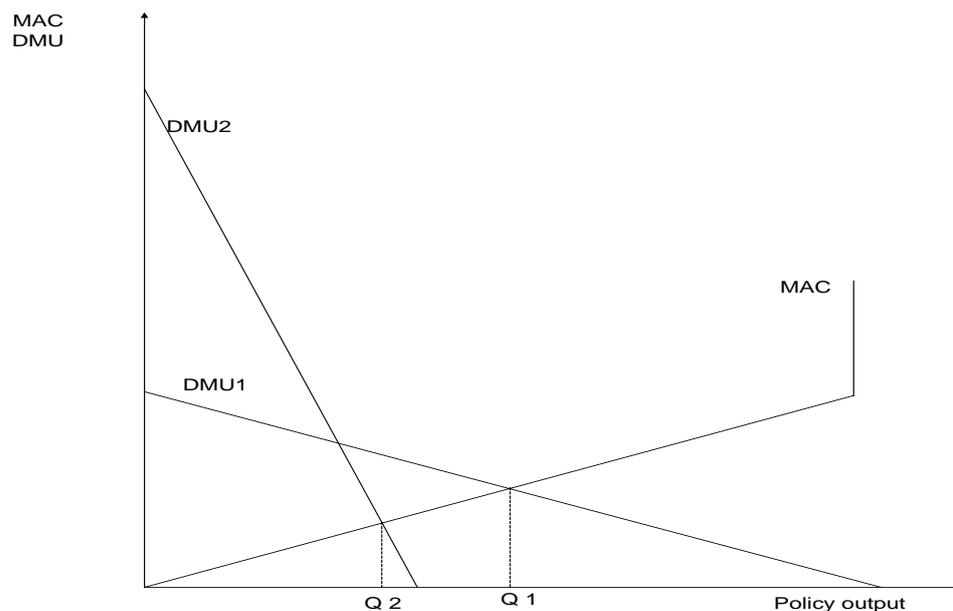


figure 2

The various strategies discussed above allow top bureaucrats directly to improve their own welfare by, for example, shedding troublesome direct managerial responsibilities and gaining increased staff and time resources for intellectually more attractive tasks such as planning and guidance. All the above kinds of bureau-change produce a shift of DMU1 to DMU2. Therefore, bureaucracies appear active in reshaping their tasks and role within the broader decision making process without necessarily searching for more budget increments. On the contrary, we can observe a more important role for the bureau, namely the increase of its power on the policy-making process, even if it manages a smaller budget, which is predicted from the above comparative statics analysis. Within the framework of the above analysis, the prerequisite for the adoption of a particular reorganization of the bureau is that the area underneath the DMU curve but above the MAC curve should be greater than any other arrangement in the bureau. This pre-condition is another way to demonstrate, as discussed earlier, necessary condition for top-officials to put forward a particular bureau-shaping strategy.

In a world of politics, where purposeful political actors interact to achieve their objectives, the only way to reduce the set of possible solutions and make the output more predictable is to specify the dynamics of this interaction by raising, testing against reality, and refining hypotheses for the elements of these dynamics.¹⁰ In this model of bureaucratic politics, policy innovation can be a purposeful output pursued by bureaucrats in their attempt to reshape their policy competence. This attempt takes

part within the pattern of interaction between the various involved administrative departments and their policy clients and external suppliers. Then, in order to understand the dynamics of the innovative activity of the administration, in our case the Commission, it is needed to see how this activity is influenced by the development of the structure of interaction. Which are the strategies followed by the administrative departments and which are their possibilities of success as policy innovators under a well developed structure and an underdeveloped structure of interaction. In this way, we can set up, and test against empirical data, a well-defined theoretical framework, which provides an explanandum of a specific type of Community policy-making, particularly when the issue at stake is of low political saliency and the Commission expresses high interest to promote a new European policy. In addition, we can gain more insights for the theory of bureaucratic politics. Let us now try to specify this model for the Commission.

The Dynamics of European Commission Policy Making; Raising hypotheses for the Top-Official's Bureau-shaping Strategies

The dependent variable of this research project is the involvement of the European Commission in European policy-making. The independent variable is the structure of interaction between the related administrative departments of the European Commission and the organizations of the various socio-economic interests, which operate in the examined policy domain.

¹⁰ See also a methodological approach based on the same principle in Scharpf. (1997), Ostrom (1991) on how actor-centered institutionalism illustrates and explains outcomes produced by the interaction of purposeful actors.

I made the choice to provide an actor-centered, micro-founded explanadum of the involvement of the European Commission in the Community policy-making. The structure of interaction provides the communication links between the policy-makers of the Commission and the various involved actors who act at the domestic and European arena, either as policy clients or other policy suppliers, to use Down's (1967) terminology. By looking at the interaction of the actors operating at the micro level, I can obtain the policy position of other actors identified at the meso or macro level, such as associations, administrative departments and governments. Accordingly, the policy position of the organizations of the involved societal actors, such as industrial, consumer and environmental interests are formed by their policy preference over the policy issue at stake. The policy position of the involved Commission administration units, following the theoretical arguments of bureaucratic politics, is formed by the policy preferences of its top-officials, who act under self motivation, subject to the constraint of what the other actors pursue, in order to put forward collective actions to obtain higher levels of personal utility.

In this way, I do not simply treat the role of administration as an externality or intervening variable as most of the theories of Community policy-making have done. With this analytical framework, I fully incorporate the administration actors as an independent source, which contributes to the explanadum of the involvement of the Commission in European policy-making.

Public policy and administrative values also contribute to the explanatory power of the analysis. Although I share the view that there is a strong correlation between ideas

and interests, I treat them as two separate elements in the proposed analytical framework. I do so based on the fact that I am only interested to incorporate in the model the effect that prior-generated ideas and beliefs have on policy output, when they meet with, and they are used by, societal interests which interact with one another. For this reason, public policy and administrative values, within which the policy is decided, are treated as an exogenous constraint that contributes to the explanandum.

In the Commission, the top-officials are the Commissioners with the directors of the DGs. Regarding the constraint of the framework of public policy and administration values on the top-officials of the Commission, it is observed that the Commissioners and, in many cases, the heads of the DGs are ex-politicians or political activists e.g. Jacques Delors, Jacques Santer, Romano Prodi, Neil Kinnock, Edith Cresson, Martin Bangemann, Hans Van Den Broek, Sir Leon Brittan etc. Moreover, some of the appointed Commissioners are active politicians who moved to the Commission in order to improve their profile through a successful career in EU-politics and return later to domestic politics in a higher position e.g. Ripa di Meana, Papandreu, Papoutsis etc. In the Santer Commission, sixteen of the twenty Commissioners had been members of parliament, twelve had held at least junior ministerial office, and nine had held very senior ministerial office.¹¹ Despite the fact that they are appointed to serve only the promotion of European integration, they go to Brussels with strong ideological beliefs and, to a certain extent, “addicted” to domestic politics.¹²

¹¹ See Nugent (1995): 607.

¹² See Hooghe (1997); Peters (1992); Wessels et. al. (1985)

Therefore their utility function as bureau-shapers is obviously constrained by their ideological and political background e.g. Social democrats, Christian-Democrats etc. They are also biased in that they are more sensitive to the domestic agenda of the country they come from.

With regard to the policy-culture constraint, it is argued that, since the bureaucracy of the Commission does not have a very long history, in order to develop a consistent policy philosophy, it is more open than national bureaucracies to shopping from a wider variety of policy alternatives, as they are provided by its external environment.

For the Commission we should specify and assume that the cost of advocacy increases with: a) the time-demand for carrying out the strategy, b) the effort and resources required c) the increased scrutiny by the Council of Ministers, the European Parliament, state-governments, parliaments etc., and in general the organized “public” of the EU, and d) the higher level of external criticism (hostility) that the proposed policy receives.

According to the earlier developed analytical framework for the provision of a typology of the policy-making of the European Community, it was argued that the structure of interaction of the involved players in this process could be better understood, if it were seen as a two level game played in two nested arenas: the domestic and the Community arena. For the consistency of the analysis we should bare in mind that in both arenas the players at the micro level are the various societal and administrative actors who operate with a particular interest in the specific policy-

making. For analytical reasons, in carrying out hypothesis testing within the framework of bureaucratic politics, I give a separate presentation of the policy position of the member states at the Community level. This does not mean that I treat member states as an independent variable, since their policy preference expressed at the Community level can be produced as the output of the simultaneous game of the above-specified micro-actors who interact in both arenas.

The Hypotheses

The dependent variable of this research project is the innovative involvement of the European Commission in European policy-making. The independent variable is the structure of interaction between the related administrative departments of the European Commission and its policy clients, the various socio-economic interests which operate in the examined policy domains, and also its potential external policy suppliers, the community of experts.

In order to operationalize the dynamics of involvement of European Commission in public policy-making, I decompose them in two elements: policy strategies followed by the policy innovators and the likelihood of success. A deductive way of theory building is used: a) I raise hypotheses linking the independent variable--the structure of the interaction between the administration of the Commission and the related socio-economic interests and experts community--and the dependent variable--the elements of the dynamics of the Commission based on what I have systematized as prior-knowledge, e.g. a review of EU policy-making theory literature, a review of theories of bureaucracy, and observations and the collection of documents regarding

the European Commission functioning as a bureaucratic organization, b) I refine these hypotheses through their falsification, using empirical material collected and systematized in specific case studies.

The whole research takes part in policy arenas where the issue at stake is of low saliency, where the involved socio-economic interests are weak players and the Commission shows high interest in creating a new European policy area. The claim is that under these conditions bureaucratic politics occur and hence the proposed theoretical model of bureaucratic politics can be tested. The raised hypotheses for the strategies followed by the top-officials of the Commission and the possibilities of success are tested in the case of a well-developed structure of interaction between the involved Commission's administrations and socio-economic interests, and under the opposite conditions in the case of a relatively under-developed structure.

The raised and tested hypotheses are based on the impact of the proposed independent variable on the component parts of the dynamics of the role of the Commission in EU policy-making. These hypotheses examine :

- How does the structure of interaction between the related administrations of the European Commission and the organizations of the various socio-economic interests, which operate in the examined policy domain, influence the strategies followed by top-officials of the European Commission towards their policy clients, the other involved administration of the Commission, and the external policy experts who act as potential policy suppliers:
 - Commission's top officials try to re-shape the policy preferences of their

clients no matter whether the last are well or under-represented in the structure of communication with the administration of the Commission (Top-officials are preference shapers and not preference takers).

- When the structure of interaction between the related administrations of the European Commission and the organizations of the various socio-economic interests is well-developed oligopolistic competition over the scope of their bureau is the dominant strategy of the administrative departments.
- No matter what is the level of the development of the structure of interaction between the Commission's administration and the organizations of the various socio-economic interests, external policy experts are invited and used selectively by the Commission's policy innovators to support their policy proposals.
- How does the structure of interaction between administrative and societal interests influence the possibilities of success of the undertaken policy innovation:
 - The likelihood of success increases when the policy innovation occurs within a well-developed structure of interaction between the administration of the Commission and the related socio-economic interests.

Through the examination of the empirical material it is also possible to see whether theoretical arguments for conditions under which bureaucratic politics occur and for the types of policies pursued are robust. As far as the conditions for bureaucratic politics concern the claims are:

- Bureaucratic politics occur in issue areas of low political saliency and of high Commission's commitment

- The dissatisfaction by socio-economic interests is not a pre-condition for top-officials to embark upon change, since they are self-motivated to pursue strategies which maximize their personal utility.

Concerning the pursued policy output by the top-officials of the European Commission, I argue that they pursue policies based on cost-benefit analysis (as opposed to efficiency criteria), with low costs of implementation and high benefit for them as policy-makers. According to the above criteria, within the 90s policy environment in the Community, the Commission's top-officials promote more regulatory policies, which provoke low hostility and have a non-discriminatory impact on their receivers, and therefore have a low cost of adoption and implementation.¹³ They also equally prefer policies in which they hold the position of project manager because this gives them the high benefit of being a policy mediator. Last on the ranking of the top-officials' policy preferences with regard to the pursued policy output is budgetary policy instruments financed by the Community budget, since there is high hostility to this possibility by the majority of the member states. Overall, in accord with the proposed bureau-shaping as opposed to the budget-maximizing theoretical argument, it could be argued that top-officials tend to pursue policies which give them increased role at the implementation stage as executives and prestigious mediators without cumulating budget increases and labor-intensive classic bureaucratic structure.

¹³ See Dehousse and Majone (1993).

The Organization of Case Studies

The structure of the empirical part is organized in case studies that move from the more general towards the more specific and allow for variations in both the defined elements of the dependent variable and the identified as independent variable¹⁴.

The choice of the case studies was made in such a way that the elements of the dependent variable, strategies followed by top-officials of the European Commission and the likelihood of success, are allowed to vary according to the interaction with the independent variable, which is also allowed to vary. Even if the result of testing is no variation in some of the elements of the dependent variables, this has to be an outcome unforced by the research strategy. According to King, Verba, and Keohane:

“We need the entire range of variation in the dependent variable to be a possible outcome...in order to obtain an unbiased estimate of the impact of the explanatory variables...But, as long as we have not predetermined that fact (constant dependent variable) by our selection criteria, there is no problem”
(King, Verba, and Keohane 1994: 104).

A choice of case studies on the basis that the phenomenon of policy change is observed --the policy outcome being the puzzle in our theoretical discussion-- risks drawing the criticism of selection bias. Moreover, such a selection does not allow for testing the conditions under which a policy change may or may not occur, since it examines only the case of a successful effort for policy change. For these reasons, the case of maritime industries is selected as a successful case of policy innovation and that of tourism as a less successful one. At the same time, the selection of the sub-cases of maritime R&D policy instruments on the one hand, and the OECD trade

negotiations on the other, allows for variation in the policy output pursued, which increases in this way the number of observations.

The choice of the “case of a case” methodological approach could be a safe enough direction in testing in order to specify the bounds of applicability of the refined hypotheses, since they hold for all the case studies from the more general down to the more specific. At the same time, the theoretical framework is tested in a continuous and also broad set of information. The effort is made in order to find a balance between parsimony and generalizations which are expected to be applicable with high probability to broader cases. As it is clearly stated by King, Verba and Keohane:

“The theory should be formulated so that it explains as much of the world as possible...If the theory is testable...then the broader the better, that is, the broader the greater the leverage” (King, Verba and Keohane 1994: 114).

Based on the above criteria, every case is a case of a broader one. The broadest research field is the functioning of the European Commission as policy innovator. To study this, I study two cases in which two different departments of the Commission are engaged in innovative policy making: Commissioner Martin Bangemann and the directorate-general for industry, and Commissioner Christos Papoutsis and the unit for tourism.

The choice is also made in order to allow for variations in the identified as explanatory variable. In the first case --the functioning of the directorate-general for industry-DGIII-- there is a developed administrative structure with a long history,

¹⁴ For a presentation of this methodological approach see King, Keohane, and Verba (1994), and also

which is highly respected within the Commission, and enjoys well-established relationship with powerful industrial interests, its policy clients. For many commentators of EU affairs, DGIII is the corporatist or elite type of administrative body within the Commission, “the privileged interlocutor of the Commission with industry”. The second--the unit for tourism--is a recently established and almost unstructured policy division of the Commission. It has no influence within the Commission, and most of its potential clients in the tourism industry are unaware of its existence. The striking element with tourism is that, despite its weak organization as policy domain, it appears very active in searching for new Community-driven policy instruments for tourism.

Through this variation it is observed: a) the degree of relative independence of top-officials to put forward policies without a call by industrialists, and sometimes against their policy preferences, and b) the policy strategies followed by the Commission and their likelihood of success and the types of policy outputs pursued, that is policies with money and without money, e.g. the ESPRIT budget and the R&D task force, institutionalized forums etc.

In order to obtain “the case of a case structure”, we examined a sub-case of industrial policy: the case of the Community's innovative policy for maritime industries. Tourism policy-making resembles the structure of maritime policy-making in terms of the complexity of policy instruments and the policy actors involved. However,

tourism only developed after 1990 as public policy field at the Community level, and it does not have a wide structure of sub-fields which would allow such a type of policy analysis. For this reason, the case of case structure is not applicable for the case of tourism. However, the choice of the above cases and sub-cases is a balanced choice, since it provides a structure in the research project that satisfies to a great extent the criteria of variation in the dependent and independent variables and of a direction from the general to the specific. In this way, a high level of confidence can be obtained, when I discuss the results of the testing of my analytical framework and the falsification of the theoretical hypotheses, which constitute the proposed explanandum of the involvement of the Commission in policy innovation activities.

Summing-Up

The EU policy-making process can be understood as a multi-game played simultaneously in nested policy arenas. Two factors are principally responsible for the structure of decision-making that occurs within the EU institutions: the level of salience of the issue in the domestic arena, and the level of organizational interest of the Commission. To have a general overview of the role of the European Commission in EU decision-making, based on these two factors, we generate three different decision making structures (see table 1):

Decision-Making structure I: “Intergovernmental bargaining dominance” is prevalent when the issue at stake is of high salience in the domestic arena ($K \gg$). In this case the Commission acts as a third party with minimum influence, a broker for example, to the state-state prisoner’s dilemma or deadlock game, trying to enable them to reach stable equilibrium around “Pareto superior” cooperation.

Decision-Making structure II: “Bureaucratic dominance” is prevalent, when the issue is of low salience ($K \ll$) in the domestic arena and the Commission interest is high at the Community level. Here, the Commission acts as a powerful third party to a prisoner’s dilemma or a chicken game amongst states. In this case, the nature of invisible politics and the bargaining amongst various organizational actors provides the Commission with more room to act as policy initiator, mediator and innovator in an attempt to lead the negotiating parties to stable equilibrium points on the Pareto frontier.

Decision-Making structure III: “Localized dominance” is prevalent when the salience of the issue is low in the domestic arena and the Commission also expresses low interest over the policy issue. In this case, we deal with a sub-case of bureaucratic politics, the “soft bureaucratic politics” over the implementation of a European policy, where the principle of subsidiarity is the rule of the game. In this case, the Commission acts as the guardian and the monitor of the EU legislation, trying to decentralize to state and sub-state level the administrative work and the less prestigious and more troublesome part of the policy-making

Our analysis shows that despite the fact that states constitute the main players in the decision process, the European Commission is also an important player as policy innovator when the issue at stake is of low salience and the Commission expresses high interest to pursue a new policy aiming at the reshaping of its competence over the issue. In this case, I find a bureaucratic politics model more applicable for explaining the informal politics that take place. It is argued that the policy output of this process is resultant in the sense that what takes place is not necessarily chosen as

a solution to the problem, but rather results from compromise, conflict, and sometimes confusion on the part of top officials representing diverse interests and having unequal influence.

The raised hypotheses for the strategies followed by the top-officials of the Commission and the possibilities of success are tested in the case of a well-developed structure of interaction between the involved Commission's administrations and socio-economic interests, and under the opposite conditions in the case of a relatively under-developed structure. The raised and tested hypotheses are based on the impact of the proposed independent variable on the component parts of the dynamics of the role of the Commission in EU policy-making. The hypotheses examine:

- How the structure of interaction between the related administrations of the European Commission and the organizations of the various socio-economic interests, which operate in the examined policy domain, influences the strategies followed by top-officials of the European Commission towards their policy clients, the other involved administration of the Commission, and the external policy experts who act as potential policy suppliers:
 - Commission's top officials try to re-shape the policy preferences of their clients no matter whether the last are well or under-represented in the structure of communication with the administration of the Commission (Top-officials are preference shapers and not preference takers).
 - When the structure of interaction between the related administrations of the European Commission and the organizations of the various socio-economic interests is well-developed oligopolistic competition over the scope of their

bureau is the dominant strategy of the administrative departments.

- No matter what is the level of the development of the structure of interaction between the Commission's administration and the organizations of the various socio-economic interests, external policy experts are invited and used selectively by the Commission's policy innovators to support their policy proposals.
- How the structure of interaction between administrative and societal interests influences the possibilities of success of the undertaken policy innovation:
 - The likelihood of success increases when the policy innovation occurs within a well-developed structure of interaction between the administration of the Commission and the related socio-economic interests.

Through the examination of the empirical material it is also possible to see whether theoretical arguments for conditions under which bureaucratic politics occur and for the types of policies pursued are robust. As far as the conditions for bureaucratic politics concern the claims are:

- Bureaucratic politics occur in issue areas of low political saliency and of high Commission's commitment
- The dissatisfaction by socio-economic interests is not a pre-condition for top-officials to embark upon change, since they are self-motivated to pursue strategies which maximize their personal utility.

As far as the pursued policy output by the top-officials of the European Commission, it is argued that they pursue policies based on cost-benefit analysis (as opposed to

efficiency criteria), with low costs of implementation and high benefit for them as policy-makers. Overall, in accord with the proposed bureau-shaping as opposed to the budget-maximizing theoretical argument, it could be argued that top-officials tend to pursue policies which give them increased role at the implementation stage as executives and prestigious mediators without cumulating budget increases and labor-intensive classic bureaucratic structure.

In this way, by testing the above theoretical hypotheses and arguments, we can articulate a well-defined theoretical framework for the role of the Commission in EU policy-making. Finally, we can also gain more insights into the theory of bureaucratic politics.

CHAPTER TWO: THE CASE OF EUROPE'S MARITIME INDUSTRIES

The Case

An illustrative example of a policy case in which the policy output is not the sum of industrial and state interests is the case of Community's maritime policy. This policy output is puzzling according to various elite, or intergovernmental bargaining approaches to Community policy-making. In the 90s, a series of new policy instruments were introduced at the Community level related to industries such as shipbuilding, shipping, fishery, aqua-culture and off-shore industries. None of these policy instruments were the outcome of a proposal made by the member states or the industry. Moreover, most of these policy innovations were related to the institutional setting of the maritime-related Community public policies. Commissioner Bangemann proposed to various maritime industries to form a common agenda of policy issues asking for common policy solutions, called the maritime agenda. Industry itself had never before considered moving in this direction. On the contrary, most of these industries appeared to have conflicting policy agendas, e.g. shipbuilders vs. ship-owners, fishery industry vs. aquaculture etc. member states, despite facing difficulties to tackle the problems of many maritime industries at the state level, never thought to treat these activities as a unique industry with a common agenda. The policy innovation came from the part of commissioner Bangemann. It is for this reason that I selected the Community's maritime policy in order to examine whether the parameter of the European Commission omitted by the above mentioned theoretical approaches was the missing explanatory variable.

In the first part of this case study, following the analytical framework proposed in the first chapter, I present the sequence of efforts made by the European Commission throughout the '90s, to promote policy change in the field of maritime industries. This corresponds to the dependent variable of the project. The aim is to understand the dynamics of this activity and explain the observed policy output.

In this case, according to the proposed analytical framework, the independent variable is the structure of interaction between administrative departments and its policy clients and suppliers. This structure can be delineated by:

- the policy preferences of the various societal interests, such as industrial, environmental and consumer interests operating in maritime policy domain at both domestic and Community level.
- the policy preference of the Commission's top officials involved in maritime policy issues.

According to the research design, the analysis is organized on two levels; the state or domestic level and the supranational or Community level. Following this analytical structure, before examining the policy-making at the Community level, I first present the policy-making at the state level. Taking the above mentioned societal micro-actors, I map the policy positions of the member states with the policy preferences of their various administrative and regional authorities which appear to have a say in maritime issues. With the examination of the policy configuration at the domestic arena, I assess whether maritime issues are of high or low salience, and whether there is a policy failure or challenge to tackle maritime problems at the State level. In this way I can see whether my theoretical argument stated at the macro-level that

bureaucratic politics are dominant in Community policy-making when the issue at stake is of low salience at the domestic arena, and that a policy failure at the state level constitutes a window of opportunity for the Commission to embark upon policy innovation in the field.

In the second part of this case study, I present this explanandum of the dynamics of the policy change activity as observed in the period of Commissioner Martin Bangemann's administration. In the presentation of the historical tracking, I identified Commissioner Martin Bangemann and DGIII as the driving force for policy change in the field. Based on the proposed analytical framework of bureaucratic politics, I examine the dynamics of the innovative activity of the Commission within the well developed structure of interaction of the players identified above. More specifically, I identify the policy motivation of the policy initiators, their policy strategies employed with regard to their policy clients and other potential policy suppliers, and the policy output pursued.

Following the requirement of my research design to falsify, through encompassed case studies, the hypotheses of my proposed theoretical framework of bureaucratic politics in order to understand the role of the Commission in the dynamics of policy innovation at the Union's level, I organize this second section as follows:

In the first part, I examine the policy motivation, the policy strategies followed within the Commission and with regard to their policy clients and suppliers, and the policy output pursued by the top-officials of DGIII, based on collected material concerning the general function of DGIII. In turn, I test whether the above findings relating to the

dynamics of the functioning of DGIII hold for the case of the formation by DGIII of a Community-driven maritime industrial policy. This policy activity may be divided for analytical reasons into three sub-cases:

- The policy activity of DGIII to introduce a common Community-driven maritime strategy for all the various maritime industries through policy instruments such as the Maritime Forum.
- The introduction of an R&D Maritime Task Force.
- The case of the OECD negotiations (1989-1995) for the elimination of protectionist policies in the Shipbuilding Industry.

These cases cover all the types of policy-making in which DGIII was engaged with regard to maritime policy issues, and will allow the testing of the hypotheses for the strategies, and likelihood of success of the innovation pursued by Bangemann and DGIII as policy innovators, against a broad material of empirical findings. At the same time can see whether my theoretical arguments for the motivation and the type of pursued policy outputs are corroborated.

I have chosen to study DGIII and the Community policy for Maritime industries in comparison with the Tourism Unit of the Commission and its policy for tourism industries. The reason for this decision is that the research design allows for variations in the explanatory variable of the proposed hypotheses under test. More specifically, DGIII, unlike the tourism unit, represents an administrative division of the Commission, which has direct and well-established relations with industrial interests. It has been accused by various EU affairs analysts of having been captured in many cases by these interests. DGIII is also a division with a long history in the Commission, an identifiable administrative philosophy, and, since it manages the

Internal Market program, a well-established position within the internal organization and functioning of the Commission. In contrast, the tourism unit is an understaffed department with a history of only six years, and no power within the Commission's organization.

In this way, examining the validity of the theoretical arguments, and falsifying the raised hypothesis for the dynamics of the process through encompassing case studies, and then allowing for variations in the independent variable with the case of tourism, I can arrive with greater confidence at the conclusion that the proposed theorizing has a more general credibility for understanding the phenomenon of policy innovation pursued by the Commission's top-officials.

Let us take the case of Bangemann's effort to bring about new Community industrial policy for maritime industries from its origins in the late 80s.

The Historical Tracking of the Policy Initiatives and Instruments Used by the Commission in Shaping the Maritime Policy Domain

On the 20th of September 1991, the CEU communicated to the Council, the European Parliament and the Economic and Social Committee, its COM(91)335 final with the title "New Challenges for Maritime Industries". The Communication was prepared by the DGIII under commissioner Bangemann's political supervision. This was the time when Bangemann promoted a new horizontal type of industrial policy, which operated at the EU level to replace the "dirigist" type of policy followed at the national and the European levels in the 1960s, 1970s and 1980s.

The 1980s was marked by a major debate over the appropriate way for public authorities to support industry, improve its competitiveness and compete efficiently in world markets. This simmering debate was dominated EC affairs after the mid `80s, having as its main protagonists the pro-liberal commissioner for competition, Sir Leon Brittan on the one side, and, on the other, the president of the Commission, Jacques Delors together with the commissioner for internal market, Martin Bangemann. Sir Leon Brittan argued that the only thing that public authorities should do, concerning industry, is to promote competition, and the efficient operation of the markets. On the other side, Delors and Bangemann both argued in favor of a more active role for the European Community, to help European industry to move out of recession, without penalizing with unemployment the majority of the citizens of the European industrial societies, and to compete successfully with its world trade competitors. This debate ended in victory for Bangemann, and the adoption by the Commission of a position, which was communicated to the Council and the Parliament with the COM(90)556 final, a framework of general principles for the Community's industrial policy, with the title "Industrial Policy in an Open and Competitive Environment". Later the same year, with the adoption of the Treaty on European Union in Maastricht, industrial policy is mentioned explicitly in the article 130 as a new policy responsibility of the European Union.

The Communication "New Challenges for Maritime Industries" may be regarded as a policy exercise by Bangemann to develop new policies to deal with the chronic problems of a series of industries and services related in some way to the sea, within the framework of policy principles for a new horizontal industrial policy. It would appear to be a top-down policy proposal. This argument is unambiguously accepted

by DGIII itself, when in the Communication for the maritime industries claims:

"This Communication seeks to open discussion on the increasing importance of the Community's maritime dimension and aims to find the EC's answer to current and future challenges. Its primary intention is to develop the relevant maritime issues in the framework of general principles of the Community's industrial policy, as recently explained in the Commission's COM "Industrial policy in an open and competitive environment". (COM(91)335 final: 1).

The main principle of Bangemann's "new" European industrial policy is that modern industrial policy has to be horizontal and non-discriminatory amongst industrial sectors, that is, non-sector specific, just as conventional industrial policies. In order to prove this, he had the idea of creating the new term of "maritime issues" and of putting together under this header all the issues "[...] arising out of the use, exploration and exploitation of the sea and its resources" (ibid.: 2). He defined in this way the borders of a new policy domain using as elements, issues and operating actors, such as industries and services--shipbuilders and ship-owners, fishermen and offshore industries etc.--which had never thought to operate collectively to seek common policy solutions. Moreover, all these fragmented actors had never believed in the existence of common solutions, since most of them had conflicting rather than complementary interests, and had engaged for many years in zero sum games e.g. shipbuilders vs. ship-owners, fishery industry vs. aquaculture etc.

The next step after the creation of the policy domain was to prove that, within the domain, there was a failure or absence of national policies, and therefore there was a need for a policy initiated by the Commission at the Community level. To demonstrate this, Bangemann ordered DGIII to deliver the Communication on "New challenges for the Maritime Industries" which addressed the following issues:

"The Community should quickly find answers to the following questions:

- what are the maritime interests of the EC,
- how its maritime interests are affected by current and future developments in the international maritime field,
- whether member states' maritime policies are still adequate in the context of a rapidly changing and increasingly demanding international maritime environment,
- how to promote at the European level the Community's maritime interests, and especially, the competitiveness of the EC's maritime industries." (COM(91)335 final: 5).

Bangemann then tried to bring together all the fragmented elements mentioned above which, according to his definition, constituted the maritime community. His aim was to create a common identity for them, the maritime identity. The first step was to promote this in the COM(91)335 final, where the Commission proposes the formation of a discussion forum for maritime issues.¹⁵ In 1992, the Maritime Industries Forum (MIF) was created. Since then the MIF has operated as an institution, which maintains an ongoing dialogue amongst all participants e.g. shipping, shipbuilding, marine equipment, ports, fisheries, off shore industry, relevant services and representatives of public authorities. At its annual plenary sessions, the MIF, develops recommendations concerning priorities in the relevant policies, and has been proved an important platform and structure for wider co-operation and for policy-making across the, top-down formulated, maritime policy domain.¹⁶ As the MIF itself accepted in its plenary session in Rotterdam in June 1994, two years after its initiation, the forum was operating as an active communication channel, that stimulated debate between the

¹⁵ See in COM(91)335final: 23, where the Commission proposes for the first time the formation of a discussion forum with representatives of all interested parties.

different parties involved in maritime questions:

"[...] a debate which did not exist before, and developed a constructive dialogue between the industry, the member states and the Commission" (Commission of the European Communities/DGIII/D/5/ Maritime Industries Forum 1994: 2).

Moreover, in the next plenary session in Bremen in 1995, the MIF recognized that its work had gradually moved from problem identification and analysis towards the proposal of specific policies to the various public authorities and the Commission.¹⁷ Overall, it can be argued that the MIF managed to fulfill the ambitions of the Commission as a top-down exercise intended to awake, sensitize and bring under the same policy agenda of European maritime industries, a wide spectrum of sea-related, fragmented and rival industrial regional and social interests, which had never thought that they could work together.

Bangemann's policy idea for the European Maritime Industries also had a spill-over impact on institutions outside the Commission. The idea was also sold to the G7 States by the CEU at the G7 Summit on the Information Society in February 1995, which acknowledged the importance of the global nature of maritime industries by adopting a specific program for the creation of the international Maritime Information Society (MARIS). The proposal to the G7 Summit was made by the Commission, and the management of MARIS is the responsibility of the Commission. It is another important new horizontal, both budgetary and non-budgetary type of industrial policy

¹⁶ For the works of MIF see the proceedings of its plenary sessions from 1992 until 1997.

¹⁷ See proceedings of the Bremen plenary session, Commission of the European Communities/DGIII/D/5/ Maritime Industries Forum 1995: 2.

for Maritime Europe.¹⁸

In 1994, two years after Bangemann's Communication on "The New Challenges for Maritime Industries", and the initiation of the Maritime Forum, the European Parliament also adopts the Commission's policy idea to create a common policy agenda, for all the economic activities and actors, that in some way were connected with the sea of Europe's coastal regions. The foundation of the Alliance of Maritime Regional Interests in Europe (AMRIE), as an initiative of the European Parliament, added at the EU level, the regional perspective of a European public policy for Europe's maritime industries. The conclusion that AMRIE is a result of a spillover of the policy-innovative role of the Commission in this field, can be easily drawn from the fact that Bangemann is AMRIE's honorary president. Based on its activities, it can be argued that AMRIE has given continuous and constructive support to the forum and the policy proposals of the Commission.¹⁹ AMRIE appears particularly sensitive to the pressure or threat of unemployment and de-industrialization in maritime regions, connected with the possible closure of traditional maritime labor-intensive activities, and sunset maritime industries such as shipbuilding. So far, AMRIE has not produced specific policy proposals independent of the Commission's policy initiatives. Rather it acts within them and in a complementary sense.

In 1995, the Commission set up the R&D task force "Maritime Systems of the Future", identifying maritime industries as a priority area for research and

¹⁸ For the development of MARIS see Commission of the European Communities/DGIII/D/5 (1995).

¹⁹ See AMRIE-Center of Excellence (1995) "*AMRIE's Outline Mission and Aims of a European Maritime Regional Policy*" 22/11/, Brussels.

development promotion. The Commission, again acting in a proactive way (as it will be demonstrated in detail in a separate section of this thesis concerning the task force), recognized maritime infrastructure, as essential for the employment, the competitiveness of the European industry, and the quality of life.²⁰ The Commission picked the maritime sector as a key sector in which to introduce a new policy instrument at the European level in order to encourage the relevant industry and commerce to meet three crucial objectives: a) to channel more R&D investment in the maritime sector, b) to pursue more intensively technical innovation, and c) to work together, in partnership, across member states, to obtain synergy on the supranational level, which would not be reaped within the existing fragmented policy environment.

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Since 1989, the Commission was engaged in representing the member states in multilateral negotiations under the OECD for the elimination of protective policies in shipbuilding. This was negotiated between the EU, the US, Japan, South Korea and Norway. The final Act of the OECD Agreement was signed by all the OECD parties in Paris on 21 December, 1994. The signing of this agreement was the result of tough negotiations, started in 1989, and reached "ad referendum" between the negotiators in July 1994. In these negotiations --which were not an initiative of the Commission, but were rather proposed by the side of USA in late 1989-- none of the negotiating parties was keen to reach an agreement. They started negotiating in the hope that the negotiations would never come to a successful end. However, the Commission developed a pro-agreement position in the negotiations and embarked upon an

²⁰See Commission of the European Communities/DGIII (1996a)

intensive negotiating role as broker of best policy alternatives with the result that the agreement was reached. The only country that did not ratify the agreement is the United States. Due to this delay in the ratification process, the agreement may never come into force. However, even in this scenario, the agreement will provide the starting point for a new set of negotiations.

The policy developments discussed here clearly demonstrate that the picture of policy instruments operating for Europe's maritime industries and regions since 1991 has changed remarkably. A number of new policy instruments and policy players at the EU level are at the disposal of Europe's maritime world. This process of policy innovation should be perceived as a policy exercise, pro-active to the demands of economic and regional interests, and it has, as driving forces, Commissioner Bangemann and DGIII of the Commission. Let us now examine in more detail the dynamics of this process.

The Policy Preferences of Europe's Maritime Industries, the Failures of National Policies as European Policy Challenges: The Window of Opportunity for the European Commission?

In this section I present the policy preferences of the member states concerning maritime industries, as a first step within the analytical framework proposed for the dynamics of the Commission's activity for policy innovation. The policy preferences are formed through the interaction of the various actors involved to maritime policy domain, sub-State and regional public authorities and societal actors such as industrial interests. I question the extent to which the status quo in maritime policy throughout

²¹ See Commission of the European Communities/DGIII/ D/5/TF (1996).

the Community satisfies the various policy clients or is challenged by them and may thus appear as a window of opportunity for the Commission to propose policy innovations in the field. In this way, I see whether policy failure and dissatisfaction at the domestic level is pre-condition for a policy change at the Community level.

The Maritime Policy Challenges of the 90s

The beginning of the 1990s finds Europe's sea related industries, such as shipbuilding and shipping, marine resources, with serious competitiveness problems, and shrinking market shares. The trade trends indicate that the European Community is: a) a net importer of fish, and in natural energy resources, b) a net importer of shipping services from the beginning of the 1980s, c) and a net exporter in shipbuilding for particular types of vessels (reefer and cruise vessels), but with downward sloping trend.²²

Due to the above characteristics, the coastal regions of Europe faced growing unemployment. According to a Commission study, maritime sector, including fisheries, employs 2.5 million people.²³ This employment base is vital for the maritime regions. At the same time, the occurrence of the maritime disasters of the Exxon Valdez and the Amoco Cadiz had an enormous impact on the environment, and upon local economies, and provoked concern in coastal regions for maritime safety. The concern was particularly serious since the EU has around 89000km of coastline, many islands, large peninsulas as well as the largest concentration of ports

²² See COM(91)335 final and COM(93)526 final

in the world.²⁴

The trade performance of the maritime industries has also a serious impact on the Balance of Payment of the EU as a whole, and not only on the countries hosting maritime activities. This is because:

a) The continuing globalization of the international economy in the beginning of the 1990s led the EU to carry 90% of its external trade by water using shipping services. The completion of the internal market, together with the liberalization of the economies of eastern European countries increased the already high volume of intra-EU trade, and pushed up the demand for transport facilities such as short sea shipping (defined as transport along Europe's coastline, Mediterranean, the Baltic Sea, the Black Sea, and the inland waterways). Maritime and inland waterway transport appeared, at that time, to offer a possible alternative to heavily congested and expensive to maintain or modernize, land transport.

b) The EU as a whole, and not only the maritime regions, is the biggest consumer of fish in the world, and trends indicate that the demand is steadily increasing. This leads, on the one hand, to the over exploitation of Europe's fishery resources, and on the other, to dependence upon imports. This makes the development of aquaculture of increasing importance for Europe not only in economic terms, but also in terms of natural resource preservation.

²³ See COM(91)335 final: 5

²⁴ See *ibid.*: 6

c) The EU demonstrates an increasing demand for energy. At the beginning of 1990s, the issue of energy gained importance on the political agenda of European states because of the increasing population and the fear for possible depletion of vital minerals and fossil energy sources on land. The oceans are now perceived with priority as future sources of energy, minerals, chemicals and space.

Let us consider, against the above challenges, the mode of operation of European maritime industries and their interaction with Europe's public authorities.

The Situation in Shipbuilding and Shipping

In the 1980s, shipping and shipbuilding were still traditional labor-intensive sectors, relying heavily on subsidies, state supported financial schemes, and defense and other public procurement preferential contracts. But during this decade other countries, mainly Japan, and South Korea managed to gain the leading position in most of the markets of shipbuilding by using state aid and by employing new technologies in the production of ships more intensively and efficiently than their European competitors. Unfair pricing also left its mark also on shipping, and led European shippers to change ship registers to opportunity registers in order to survive massive competition over low pricing in freight rates.

At the same time member states faced serious difficulties in managing their huge and increasing public budget deficits accumulated in the seventies and eighties. Public authorities were less willing to provide public aid for maritime industries, and often appeared unable to support industry in order to maintain its world market share, due

to their budget constraints.

Against this background, maritime activities were increasingly dependent on investment in new technologies and innovation in production and operation procedures, which allowed the industry to provide, in comparison to its global competitors, better services at lower cost, and with the highest standards in terms of environmental protection and safety. The challenge for shipbuilding and shipping, in order to reverse negative trade trends was to transform themselves from labor intensive industries to capital and technology intensive industries.

According to the Commission's report on Maritime industries:

"The possibility of building technologically sophisticated ships, allowing EC ship-owners to operate with smaller but highly trained crews, may allow for improving the competitiveness of EC fleets vis-à-vis those of third countries...ship-owners will soon call for a new generation of high speed cargo (and passenger) ships to meet the requirements of just in time delivery, and a division of labor for high-value or sensitive (technology intensive) products."
(COM(91)335 final: 10,11)

However, at the beginning of 1990s, the need for increased and more efficient investment in R&D, in order to enable the shipbuilding industry to provide efficient and safe ships, and other marine vessels and equipments compatible with all the communication aspects of modern life, had not been realized by European shipbuilders. They continued to operate in a deeply fragmented European market, struggling with public authorities over anemic public budgets, and for more subsidies and protection. R&D is mainly national driven, and is mostly dedicated to basic marine research, rather than being user-oriented.

For the above reasons, maritime R&D was still considered by member states as a minor activity, and the area of maritime R&D was remaining underinvested. The shipbuilding industry appeared unable to identify its own R&D priorities and to effectively push public authorities for support because of the fragmented character of the production chain in shipbuilding, which is mainly dominated by SMEs. Voices from shipping and shipbuilding were calling upon the national governments to protect them through trade negotiations from the growth of distortive competition measures by third countries, the protracted oversupply of services, and pricing practices that were discriminatory or below the cost of production and operation. The member states having exhausted themselves from the continuing race to back industry with more protectionist schemes, were trying, in the various international fora and through bilateral negotiations to set up a level plain field for shipping and shipbuilding, but without success.²⁵

The Situation in the Marine Equipment Industry

This industrial sector is the supply chain for all maritime industries, and covers all kinds of ship-machinery, and navigational and safety equipment, as well as marine environmental instrumentation. This chain consists of a large variety of mostly medium-sized companies. All the above SMEs are spread across Europe, making a major contribution to the local economies. However, in the absence of technical harmonization of Europe's marine equipment, they have few opportunities to exploit

²⁵ See about IMO discussions of 1990 in the COM(91) 335 final, and the OECD trade negotiations for shipbuilding, which I will discuss, in a separate section as a case where the Commission acts as both interest accommodator and interest shaper.

economies of scale within European-wide internal markets.²⁶ At the same time, the increasing demand for technologically sophisticated equipment makes it essential to increase the volume of resources invested in R&D oriented mainly towards the conversion of scientific knowledge into industrial applications, in order to meet recent requirements in the field of safety, environmental protection, efficient production and operation of maritime services, such as shipbuilding, shipping and marine resources utilization industries. In other words, more resources, cooperation and coordination in R&D are necessary between the different sectors of the marine equipment supply chain and the scientific disciplines concerned.

At the beginning of the 1990s, the SMEs of the chain operated in a fragmented way across Europe, within different and unconnected sector-wide or national frameworks, and only a few operated within EC driven R&D frameworks. The main characteristic of this operation was lack of cooperation, extended overlapping between sectoral or national research projects, underinvestment in essential research targets, due to the high risk of investing a high volume of resources with high uncertainty over quality, and the timescale for reaping results. Overall, poor performance in R&D was gradually leading to a deterioration of the market position of the sector overall, and to the substitution of European marine equipment by ad hoc importation of machinery build in Japan and Korea.

Because of the lack of an overall perception of the common and coordinated effort required in R&D on the part of the member states, and also because of the lack of any

²⁶ The Commission in its COM(91)335 final: 13, mentions two possible European-wide markets: in

effort by industry, due to its fragmented nature, to sensitize public authorities, the 1990s found the sector undergoing serious difficulties. This all constituted a policy failure at the national level.

The Situation in the Resources of the Sea Industry, and in Marine Research

The resources of the sea industry, as the Commission accepts, are not a well-defined unit.²⁷ In fact, the Commission itself is the first policy actor to decide to put under the same header all industries which provide the infrastructure and services for the exploration and exploitation of the oceans, including fisheries. Until this point, the national public authorities, and also the industries themselves, did not recognize this as a single industrial sector, with a common industrial policy agenda. However, the sector, as it is shown in the background part of this policy analysis, is an emerging complex sector, with increasing importance for the energy and environmental dimension of Europe in the 90s. The complexity of the sector may be better seen by focusing on just one sub-sector, the offshore. At first glance seems to be a single sector from, but in fact, it comprises the construction sector (rigs, platforms, mostly built by specialized yards- and marine technology explorations), field developments, and other services, including supply vessels. This particular sector brings together equipment industry, yards, and marine science technology.

In the beginning of 1990s, the resources of the sea industry slowly started only taking shape, based on the recognition by the sector's main industrial research and policy

equipment for exploring and exploiting the oceans and in ship's propulsion machinery.

²⁷ Ibid.: 14

actors that the exploitation of the oceans, as an interdisciplinary area, depended on the cooperation of the different sectors and disciplines concerned. The complex nature of the newly emerging sector and the fragmented character of the SMEs which dominate its various components-sectors made the networking, and the coordination of information and of the specific activities of the actors involved, essential. In order to be successful in the long run, the resources of the sea industry had the need to be provided with such an institutional infrastructure, mainly in R&D and information activities.

R&D investment is crucial for the newly emerging sector. This investment has to be made in R&D projects in marine science and technology, and in efforts to transfer technologies from other industries. Overall, the complex nature of marine science necessitates optimal organization of marine research. However, in most of the member states, the dominant mode of carrying out marine research, is the institutional separation between research in fisheries, defense, ocean mining, navigation, coastal engineering, and in basic oceanography, between marine biology and geology.²⁸ In this way, the national driven R&D activities fail to capture synergies and to benefit from the osmosis between basic and applied research, and among the various disciplines. It is certainly the case that in this part of the maritime industries policy domain, there is in some member states an absence of public policy at the national level to tackle the policy challenges of a new, slowly emerging and complex marine resources industrial sector that operates at the global scale.

²⁸ Ibid: 14,15

Overall, it could be argued that, in the 90s, the industrial policies of the member states, concerning maritime industries, appeared to be inefficient. In part this is due to the fact that there are less budgetary instruments in the hands of public authorities to back industries, but it is mainly due the changing and newly arising demands for maritime services. The extent of cooperation among Europe's maritime industries and public authorities is still too limited, despite the existence of common, and cross-boarders problems. This is particularly the case in the field of R&D, with respect to industrial cooperation, in obtaining access to so far protected markets, and in establishing a level field for trade. This was the major window of opportunity for the European Commission to act as policy entrepreneur, to propose and deliver new policy instruments, and to change drastically at the end of the 1990s the picture of public policy domain for maritime industries.

It should be noted that the challenges conceived by the Commission for policy innovation at the Community level are not necessarily recognized as such by all the other parties involved in maritime policy-making. Many of the problems mentioned above never received high attention from the policy-makers of the member states. Apart from shipbuilding, which is an important economic sector for some of the member states, the remainder of maritime industries represent small fractions of the production structure of national economies. The awareness of voters on maritime issues is relatively low with the exception of events such as environmental catastrophes.

Due to these factors, the member states do not appear to place maritime issues at the top of their negotiating agenda in the structure of Community policy-making. As I

discuss in the next section, the Commission embarked upon, with relative success, a top-down policy exercise to sensitize both industries and member states. In this context, the factors mentioned above constituted challenges for Community driven policies.

According to the typology proposed in this dissertation for the policy-making of the Community, since maritime issues show low salience in the domestic arenas and the Commission expresses high interest in becoming involved in the field, it is expected that maritime policy-making resembles bureaucratic politics. In this structure, the Commission has much room for maneuver, acting as policy coordinator, or broker of best practices, but also as policy innovator. Politicized Eurocrats compete with each other, proposing new policies and trying to redefine the policy domain according to their strategies for maximization of their utility function. Let us examine the dynamics of the above process in detail at the micro-level.

The Dynamics of Commission Policy-making for the Introduction of a European-Wide Maritime Strategy

In this section, I will present the policy strategies pursued by DGIII, with respect to its policy clients and other suppliers of policies related to industry in general, and then more specifically to maritime industries. I will use these topics to test the hypotheses constructed in the proposed theoretical framework for the strategies followed by top-bureaucrats and also to examine whether the argument for the motivation and the policy outputs that could be obtained in bureaucratic politics are corroborated.

In the presentation of the dependent variable in the first part of this case study,

Commissioner Bangemann and DGIII appears to be the central point in the effort of the CEU to introduce the new policy scheme for Europe's maritime industries. Bangemann and DGIII act as the first movers and the driving force in the dynamics of the innovative process. In order to better understand the reasons that lead them to be so active in policy-innovation in the field of maritime industries, it is necessary to examine in more detail the general elements of the functioning of DGIII as an administration unit. These include its policy strategies, and the policy instruments produced, which prompt DGIII to assume the role of policy entrepreneur in EU policy-making. I will test the raised hypotheses against the empirical findings which concern the functioning of DGIII in general, and with regard to maritime industries in more details. More specifically I will test:

- Whether the dominant strategy of the top-officials of DGIII towards the other involved administrative units is to compete with other DGs with the aim of redefining industrial and maritime related policies in order to achieve their administrative target to reshape their competence.
- Whether the strategies employed with respect to their policy clients are to reshape their policy preference, and
- Whether they make selective use of experts and the epistemic communities to legitimize or to buy policy instruments which fit with policy guidelines they have already decided

I will also examine whether my theoretical arguments with regard the motivation and the policy output pursued hold. More specifically, I see whether, top-officials of DGIII try to gain more competence and influence within Community policy-making, and for this reason pursue, as policy outputs, regulatory and project management policies and not policies which lead to labour intensive classic line bureaucracies with

large budgets.

The Motivation of Commissioner Martin Bangemann to Act as Policy Innovator

I identified Commissioner Bangemann as the first mover for policy innovations in the field of maritime industries. According to the proposed theoretical hypotheses, the motivation of the Commissioners to embark upon policy innovation is directly linked to their personal career ambitions as politicians, their ideological and political beliefs for the role of public authorities and is also influenced by the policy priorities of their national domestic agenda. Bangemann was an important political figure in German politics before coming to Brussels. He was an ex-economic minister, former leader of the German liberal party. He was for many years vice-president of the Commission, and member of the Commission at the same post for 15 years, since 1985, which gave him considerable influence in the policy-making of the Commission. He had strong beliefs regarding the active role of the state in the economy, which he debated with pro-free trade proponents such as Sir Leon Brittan at the Community level throughout 80s and 90s. At the same time, he had very strong connections with German industries. Some of these industries, such as the shipbuilders in Bremen, were facing structural problems and were lobbying him to promote policies at the Community level to help them to regain in competitiveness.

From the mid-80s, Bangemann devoted his policy activity almost exclusively to the promotion of a new industrial policy for the Community that would complement the internal market program. He had a personal policy agenda for a new type of industrial policy. He took the view that the market is an institution capable to do some jobs and

not all of them. Hence, there is a need for other institutional settings, such as horizontal industrial policies, "clever" R&D policies etc., which complement the market in its allocative role of resources. This ideological framework, and also his strong and ambitious personality, may explain the fact that, within the Delors and also the Santer Commission, he has been seen to be very active in promoting a whole series of new R&D and industrial policy instruments (Forums, Round Tables, Task Forces etc).

The Administrative Targets, and the Strategies Followed Within the Commission by DGIII's Top-Officials.

In its working program for 1996, DGIII explicitly identifies policy-innovation as one of its main policy targets, in order to promote its mission to boost the competitiveness of EU's industry:

"Based around the objective of competitiveness our role is to:

Act as the interface between industry and the rest of the CEU.

Promote industrial competitiveness through existing Community policies.

Develop new policies and instruments concerning industrial competitiveness at Community level." (Commission of the European Communities/DGIII/A3 1996: 3).

The intention of DGIII is to expand its policies and to increase its presence in other DGs' policies related to the issue of competitiveness. The «expansionist» inclinations of DGIII may be legitimized by the fact that there are many policy actions, such as infrastructure, education, training, energy, competition and trade policies, that affect industry either directly or indirectly. Apart from Article 130, the Treaty of the EU does not provide a specific tool for implementing industrial policy. Therefore, it is

reasonable for DGIII, in order to fulfil its target to promote industry's competitiveness, to try to act through policies and activities laid down under other provisions of the Treaty, which may affect the capacity of European industry to compete efficiently in global markets. DGIII's top-officials argue²⁹ that "DGIII has strong assets", such as its capacity to understand and interpret industrial issues in order to deal with matters such as trade policies, competition policies and, in general, all the policies mentioned above that influence the operation of the European industry. DGIII argues that, it has the information and the expertise in its staff to make all the decisions of the Commission concerning industry based on "sound economic and industrial analysis":

"Our knowledge of the different industrial sectors should serve as a safeguard that regulatory decisions (concerning industry's operations) are based on sound economic and industrial analysis. We must ensure that the application and evolution of EU competition rules and regulatory policies do not disadvantage EU industry vis-à-vis its international trade partners. Therefore, DGIII must act as watchdog over the competitiveness of EU regulatory, competition, and trade policy." (Commission of the European Communities/DGIII/Working Group 4 1996: 1)

The above assertion of DIII is also legitimated by its internal organization and its task to run the internal market program for the CEU. DGIII, having departments specific to industrial sectors, and the responsibility to issue all the regulations for the setting up of internal market in the late 80s, has developed close relations with Europe's

²⁹ In winter 1996, DGIII organized a closed management seminar among its top-officials in order to redefine its policy objectives and priorities. I had the chance to attend, as an observer, the topic-specific and plenary sessions of the seminar. The empirical evidence for the position of DGIII's top-officials comes from unpublished and confidential working papers presented in the seminar and also from personal notes made during the discussions to which I had access.

industries, and holds detailed data concerning the production and market structure of the various industrial sectors. Therefore, its staff are convincing when they argue that the DG possesses the necessary information channels and expertise.

Their framework of administrative and public policy values, which is mainly influenced by their educational and professional background, also makes them more inclined to become involved in other DG's policies. Most of DGIII's personnel, both permanent A-grade, and hired experts,³⁰ who have worked for years in close collaboration with industry. Indeed, many of them come from industry, and, moreover, after leaving DGIII they often go back to industry.³¹ These factors make DGIII's criteria for what constitutes the right policy for Europe's industry, very different from the view of other departments of the CEU such as DGIV, and DGI, which are dominated by lawyers with a positive legalistic and pro-liberal understanding of the issues of competition. DGIII's top-officials share the view that the "right policy" to improve the competitiveness of industry needs a more complex treatment of the questions of economic efficiency, one that goes beyond the positive, legalistic understanding of lawyers for competition policy issues, or the criteria followed for other regulatory activities of the CEU, such as environment. According to this perspective, this complex dimension of economic efficiency is under-represented in CEU policy-making. DGIII's top-officials claim that their close relations with industry provide them a good knowledge of the problems and policy

³⁰ See the educational profile of DGIII's active staff in Commission of the European Communities/DGIX/A4 (1995).

agenda of industry. Therefore, they are legitimated to get involved in the interservice consultation of the departments of the Commission in order to fill this policy gap.

According to DGIII's top-officials:

"For being successful in this regards (the competitiveness question), it will be required (for the CEU) to take account of a wide variety of circumstances, in an appropriate way. There are many sometimes conflicting parameters for the CEU in pursuing the economic efficiency goals, such as identifying the best interests of European industry: short-term benefits Vs long term, balance of up-stream and down-stream interests, the different needs of sun-rise and sun-set sectors, the optimum size of companies and the balance between multinationals and SMEs, regional differences in industry structure and strength. It is there, that DGIII has to play an important role in the interservice process, but its voice in the process is under-represented." (Commission of the European Communities/DGIII/Working Group3 1996: 1).

DGIII identifies itself as a weak element in the chain of interservice consultation.

DGIII's people in the management seminar argued that, in most cases, weak interservice consultation occurs, where DGIII's sectoral units are, "at the end of the chain", and have one day or less to define a position. "The need to make last minute efforts takes away from DGIII possibilities to work efficiently on the policy issues". Their complaint is that, despite the requirement that they are consulted over industry related issues, they are more or less ignored by other services. The other DGs consider that they can handle the issues of economic efficiency using their own expertise. For this reason DGIII argues that:

"DGIII would need to embark on a clarification of who talks from the services, for policy issues to industry on competitiveness matters, possibly with the aim of an exclusive DGIII mandate (similar to DGI's claim for exclusivity for its country

³¹ Davignon and Perisish, ex- general directors of DGIII, went back to industry after leaving the head of DGIII. Miccossi the general director of DGIII for the period that I carried out the research in

desks). In this context DGIII should develop a stronger role in the interpretation of relevant Commission policies". (Ibid.)

The other CEU services involved are uneasy about accepting DGIII as a major element in the inter-service process, for yet another reason. DGIII tries to enter in the relevant Community policies as far as they affect the competitiveness of European industry, without possessing budget lines for all these policies. Therefore, any interservice consultation is a very painful process, creating difficulties for the other services to accept DGIII as an equal partner in policy making.

As we will extensively discuss in the cases of the formation of a European maritime strategy, the terms of reference of the R&D Maritime Task Force, and the OECD negotiations for eliminating protectionist policies in the shipbuilding industry, interservice consultation is the hard core of what I define as bureaucratic politics. Interservice consultation appears to be the battleground where CEU policy making resembles the part of the model of bureaucratic politics where administrative units compete over their competencies. In our cases, we see DGIII acting as an invader of the other DGs, and the latter attempt to keep this activity to the lowest possible level.

Another factor in the 1990s that has contributed to the aggressive behavior of DGIII towards other DGs or towards new policies, is the fear of its personnel that it will be marginalized after the glorious days of the setting up of the Internal Market. The top-officials of DGIII, especially after the completion of the internal market project, appear particularly concerned about the continuously declining number of policy

Brussels is professor in economics and, before join the DGIII worked for the Federation of the Italian Industries (Confindustria).

portfolios for which, they have responsibility. In the management seminar of the winter of 1996, the fear of becoming a "marginalized administrative unit" was at the top of their discussion agenda:

"DGIII lost a part of its specific competencies in implementing the Single Market Program...now we lack specific competencies...the only exception to this lack is the transfer of ESPRIT and Information Society to our policy territory".
(Commission of the European Communities/DGIII/Group 7 1996: 4)

On these grounds, DGIII's functionaries raise the argument that they have to come up with new policy proposals concerning industry's competitiveness in order to earn their role in interservice consultation for all industry related policies, since, as they emphatically state:

"The limits of the Commission's competencies have never been unambiguously identified." (Ibid.)

On this line of policy strategy, DGIII tries "to have an eye, and a say" where industry policy question appear, and, through this mobility, to increase the chances of getting new pieces of the pie of European policies.³²

From the above analysis, it is obvious that the interest of DGIII in policy innovation is grounded on concerns internal to the DG and on the collective strategies of its top-officials, who try to maximize their own utility by reshaping the competence of their DG. This does not mean that the interest of DGIII to reshape its competence is not

³² An illustrative example of the policy strategy of DGIII to reshape its competence towards more prestigious topics, appears in the minutes of the meeting of the directors of DGIII of 23/10/95, concerning Micossi's (General Director of DGIII) report on his visit to China, Japan, and Baltic states: "the Baltic countries are active to become member states and seek a systematic interface with the EC on internal market issues. This should be supplied by the office set up by DGXV. However, we should reinforce our influence in these activities of DGXV and through industrial cooperation. Proposed action for the directors: to look at the matter and propose a strategy to improve our (DGIII's) presence and influence."(Commission of the European Communities/DGIII/Assistant to Director General 1995)

also influenced by the will of its political boss, Commissioner Bangemann. Bangemann's political agenda for new policies is a separate source for bureau-shaping strategies by DGIII. However, what is clear in this case is that the aggressive inclinations of the top-officials of DGIII towards more prestigious portfolios have its relevant independence from Bangemann's innovative political agenda. DGIII's high-ranked staff wants in any case to reshape its competence. The Commissioner can encourage or discourage this trend amongst his top administrators according to his own policy strategies. Both sources of policy innovation --the collective strategies of DGIII's top officials to maximize their utility rewards, and the innovative political agenda of the Commissioner-- are independent, in that they have their own autonomy in functioning, but they are closely interacting elements in the efforts of the CEU to reshape its policy competence.

The relative independence of the staff of DGIII from its political boss in trying to penetrate and enter other DG's policy areas can explain the fact that this aggressiveness is observed even in cases where the "opponent" is a department under the same Commissioner and, therefore, under the same political supervision and planning. This is the case for "Information Society" where DGIII and DGXIII appear to compete over the policy instrument, despite both departments being under Bangemann's political command. The conflict in this case is initialized at the administration level, and the Commissioner tries to keep the policy competition at the lowest possible level. For the information society, Bangemann's cabinet asks both DGIII and DGXIII to:

"provide a fact sheet of their activities in this field, and should indicate in which areas they see their "comparative advantage". On this basis, Cabinet together with DGIII and DGXIII will make an evaluation, in a view to avoid double employ".

(Commission of the European Communities/DGIII/Assistant to Director- General
1996: 2).

Up to this point, both DGs were engaged in producing Communications and policy proposals concerning information society, industrial cooperation, and R&D. The intention of Bangemann's cabinet is to avoid overlapping.³³ In this way, the political boss attempts to eliminate the friction between the DGs, to refine and synthesize the different positions and overcome the problem of different interpretive frameworks by imposing as a unifying framework his own political view, which finally creates a common policy position or proposal.

Overall, it can be argued that the administrative targets of DGIII, after the completion of the internal market program, are to reverse the trend of losing power in the industry related policy-making of the CEU, and to re-shape their competence by obtaining new policy instruments which increase the utility rewards of its personnel. The strategic behavior of DGIII's top-officials in order to obtain these targets is to make use of the channel of interservice consultation so that they have a say in every question related to industrial competitiveness. In this way, they aim to redefine existing policy agendas or put forward new ones through competition with other departments of the CEU, so obtaining a more significant role in CEU industry related policy-making. This strategic behavior can be grounded, as argued in the theoretical section of this thesis, on the collective strategies of DGIII's top-officials to maximize their personal

³³ This is obvious by looking at the position of the cabinet, in the Durban Seminar 11/12 Dec. 1995, for industrial policy issues with participants, Bangemann and top-officials of his cabinet, DGIII and DGXIII. The cabinet asks DGIII, and DGXIII to produce common policy proposals on R&D, information society, industrial cooperation, the issue of convergence of audiovisual and telecommunications. (Commission of the European Communities/Cabinet Martin Bangemann 1996).

utility in terms of non-pecuniary rewards. This inclination of DGIII towards bureau-shaping activities interacts with the innovative dimension of Bangemann's policy agenda. It is this convergence in terms of innovative strategic behavior that makes DGIII so active in searching for new and more prestigious industrial policies. To have a comprehensive understanding of the dynamics of this process, the methods of DGIII concerning its policy client, European industry, and its suppliers of policy alternatives, such as external policy experts, must also be examined.

The Strategies of DGIII Concerning its Policy Clients and Suppliers

In the previous section our aim was to identify the strategic objectives of DGIII as administrative unit. The output was that DGIII, together with Bangemann, has policy innovation and expansion, as its main element in its policy agenda. According to this analysis in order to materialize their policy and administrative objectives, Bangemann and DGIII embarked upon a policy-searching process, attempting to adapt existing policy instruments to their needs, or to replace them with new ones. In their effort, they evaluate policies and buy ideas and suggestions made by experts or other actors related to the field.

The main evidence emerging from my empirical work on the strategies employed by DGIII and Bangemann's Cabinet in order to carry out their policy-search is that, experts and the other elements of the consultation process have to act over a pre-set policy framework with the criteria of policy evaluation specified by DGIII and the Commissioner. DGIII sets the policy agenda and a blueprint of policy proposal, before any external interaction or consultation with industrial associations or

members of the scientific community.

The general strategy which DGIII follows can be systematized as a two-stage consultation procedure. In the first stage, DGIII and the Cabinet attempt, through a closed brainstorming session amongst top-officials of the Cabinet and the administration, to evaluate running policies and to search for improvements or for policy change, based upon inputs from within. In this way, they set up a first draft of policy ideas specified according to their own policy objectives and policy philosophy or interpretive framework. At the second stage, DGIII discusses and spreads the ideas, amongst other CEU officials, Commissioners, member states, industries and experts. However, the agenda of the discussion is already set at the first stage, and its hard-core ideas are open only to refinement and to changes.

DGIII asks experts specific questions. Its functionaries appear to have an agenda with which they contact the "outside world", and they do not simply seek any kind of policy ideas that may bring them the rewards of higher utilities. Their policy-search activity does not resemble a garbage can approach. On the contrary, there is a pre-fixed policy agenda for discussion, based on underlying factors, such as policy demands, and the cost of policy adoption, which have been assessed by the Cabinet and DGIII in advance. Although the external consultation process may work as a channel for inputs, and may provide facts and figures for future policy formulation, in this two-way communication process, the dominant direction is from DGIII to the world of experts and not vice-versa.

These arguments can be confirmed by looking at three other major and important

policy projects undertaken between 1996 and 1999 by DGIII and Bangemann: the Communication COM(96)903final for "Developing Benchmarks for Industrial Competitiveness", an effort to promote a new approach concerning R&D with the formation of the fifth framework on R&D, and the regulatory activity of DGXIII and DGIII on the technological convergence of audiovisual services and telecommunication.

At the end of 1995, DGIII was preparing a communication on how to improve the industry's competitiveness using what was, for Europe, the novel policy concept of "benchmarking methodology."³⁴ The policy novelty had already been identified, and its policy elements had been set by the top-officials of DGIII, namely the general director, and the director of DGIII/A, before the initiation of the external consultation. At the meeting of directors in October 1995, the general director of DGIII asked the director of DGIII/A to prepare a report:

"The objectives are clear: we want a report to be used as a political instrument to i) identify priorities, ii) to define benchmarking methodology iii) to mobilize all the DGIII in order to set up a common philosophy (over industry's competitiveness)" (Commission of the European Communities/DGIII/Assistant 1995).

Then, after a round of discussion within DGIII and the Cabinet, the director of DGIII/A prepared and introduced "the key concept of benchmarking" to the outside world. In winter 1996, DGIII organized several workshops within the framework of the economic advisory group (EAG) of DGIII. This consultation process, institutionalized by DGIII, involved inviting the academic community, experts,

industrialists and other officials of the CEU to contribute to the proposed innovation of benchmarking.

The same consultation process was proposed to DGIII and DGXIII officials by Bangemann's cabinet, in the Durbach Seminar in December 1995, as mentioned in the previous section, in order to prepare together a proposal for Bangemann for an updated and more efficient approach for the setting up of the 5th R&D framework project. At the first stage, the cabinet set out, within the borders of its administration responsibility, namely to DGIII and DGXIII, the specific elements that the new approach should include:

"Reflections on the 5th Framework program should be concentrated around the following evidence: while technologies are converging and the demand for cross-disciplinary R&D is growing, the structure of the 4th Framework has still a rigid and inflexible structure.

Therefore, the adoption of a rolling work program is needed...

There is a need for concentration on citizens needs by involving them in the actions and inviting them to participate...

Proposed action: DGIII and DGXIII must prepare a reflection paper to cabinet until mid-March". (Commission of the European Communities/DGIII /Cabinet Martin Bangemann 1996: 2).

Then, at the second stage after mid-March, the discussion was opened up, in part to refine the proposed new policy approach, but mainly to promote this approach:

"In order to promote the new approach discussions should be undertaken with member states, industry, concerned Commissioners etc. Proposed action: DGIII/DGXIII must prepare a related action plan until the end of March."

(Ibid.: 3)

In the case of regulating the telecommunication and audiovisual technologies, at the

³⁴ See the communication "Developing Benchmarks for Industrial Competitiveness", COM

first stage the cabinet along with the administration, identified the policy problem, and set it in its policy agenda:

“the technological convergence between telecommunication and audiovisual is not reflected by the regulatory framework. There are still two separated regulatory frameworks, structured along vertical lines.” (Ibid.: 4)

The cabinets set the parameters of the solution:

"the long term perspective is the creation of a common framework. A reflection paper on a possible approach should be prepared. Common principles to be applied to all sorts of services could be identified". (Ibid.)

After the initial setting of the policy agenda, the experts were asked to contribute in order to legitimate and further specify the proposed policy:

"The reflection to the policy proposal could be discussed by a virtual institute composed of experts of this area." (Ibid.)

However, it should be noted at this point that, despite the two-stage external consultation procedure, the industry and the experts did not enter into the process exclusively at the second stage. In fact, they were officially invited to discuss a preset policy agenda at the first stage, but they also participate unofficially in the agenda formation at the first stage. This procedure resembles more closely what I would define as invisible/informal politics, where industrialists, political actors, and experts are involved in policy formation activity, on an individual basis founded upon personal contact, away from the public eye. This type of invisible politics is strongly present in the relationships between DGIII and its policy clients and suppliers. However, in no sense are these informal politics a bottom-up policy exercise, where experts and industrialists simply order their policy preference to the top-officials.

Approaches that focus exclusively on DGIII's policy output and on mapping and analyzing what the industry prefers, fail to give a convincing explanation for the way in which many policies come about. They consider only one side of a far more complex interaction where, apart from industrial societal preferences, there is also the influence of the institutions of the CEU and the preferences of its staff. Both the top-officials and the cabinet, as we have already discussed, have their own relative independence as players, with their own political and policy preferences grounded on their own collective strategies to maximize their personal welfare. Therefore the picture of the structure of interaction of DGIII with industry and experts is neither a top-down, nor a bottom-up process of interaction. Rather, it resembles a two-way communication, where the two structures of external consultation identified above--the formal two-stage communication and the informal individual and ad-hoc one--co-exist.³⁵ In both of these communication structures, DGIII has a central, pro-active role in pursuing its policy and administrative objectives by trying both to accommodate and to shape the policy preferences of its policy clients. Let us proceed to a more detailed elaboration of the two types of communication; the official and the unofficial structure.

³⁵ DGIII, in the winter management seminar of 1996, describes the ways of contacting industry as a bundle of several types of contacts "ranking from impromptu meetings with a particular firm through to sophisticated consultation frameworks" (Commission of the European Communities/DGIII/Working Group 7 1996: 4)

THE OFFICIAL EXTERNAL CONSULTATION OF DGIII WITH ITS POLICY CLIENTS AND SUPPLIERS: A TOP-DOWN OR A BOTTOM-UP POLICY EXERCISE?

The most typical examples of formal and institutionalized conducts between DGIII and its external world are the Maritime Forum, the Textiles Observatory, the European Information Technology Observatory, associations and industry groups promoting standards, the twenty ESPRIT consultation boards, the various round tables, and the transatlantic business dialogue. All the above structures were initiated by DGIII, and serve two purposes. First, they act as a sensor for DGIII, identifying the policy needs of industry and shopping policy alternatives to satisfy these needs. Secondly, they act as a channel for the dissemination of DGIII driven policy proposals and programs³⁶. DGIII argues that it is essential for the materialization of its policy mission to invest "considerable efforts to strengthen (in this way) on a permanent base, relationships with the industry leaders, experts, and associations".³⁷ Their intention is to define and implement action plans for promoting industry's competitiveness, through the joint sharing of information with industry.

According to corporatist and elite approaches,³⁸ it can be argued that DGIII proposes this formal establishment of permanent meeting places, where industrial policy issues are discussed on a regular basis, in order to obtain for itself the prestigious role of coordinator or mediator. However, the evidence, as in the case of Maritime Forum,

³⁶According to DGIII through these structures they try:" to inform industry about what the CEU is doing for them, and to learn what industry wants, with a view to developing the appropriate policies to defend European industry and enhance its competitiveness." (Commission of the European Communities/DGIII/Working Group 7 1996: 1)

³⁷ Ibid.

³⁸ For a review of corporatism and elite theories of State see Ham and Hill (1984), also for the application of these theories to the Community's policy making, see Green (1993).

shows that, contrary to the conventional clientism, where the interests -- the clients -- find and approach the servants, the situation here is the other way round. It is observed that DGIII is very active, and tries to make its role as a public institution both legitimate and popular³⁹ with its potential clients, who may benefit from the policy outputs, although they may not expect it, as it is demonstrated by the case of maritime industries. The establishment of these policy fora was not the result of a bottom-up process, despite some of them, such as the textile observatory, being sector specific. Most of the fora were set up as parts of the policy search process of DGIII and the CEU to find more effective ways to promote industry's competitiveness, using horizontal and cross-sector policy approaches, rather than the unsuccessful "picking the winners" industrial policy of the '60s and '70s. DGIII proposed cross-sector and horizontal industrial policy fora in order to free its hands from the pressure of narrow sectoral interests, which basically pursue redistributive policies. Within these fora, apart from mediator and coordinator, DGIII wants to act also as a policy entrepreneur. Using this communication structure, DGIII tries to find a broader legitimacy and support to enhance its competence by promoting new policies of efficiency improvement. These are horizontal policies such as R&D, vocational training, trade liberalization with positive effects diffused to the entire economy. These policies have lower cost of adoption than the redistributive policies, since they are not zero sum games.⁴⁰ The anxiety of DGIII to act as a policy innovator is mirrored in this following claim:

³⁹As I will discuss later in the case of Maritime Forum, DGIII orders a public relations campaign, in winter 1995, to promote its maritime strategy and the relevant policy instruments, such as the Task Force Maritime.

⁴⁰For a definition of efficiency improvement and redistributive policies see Milgrom and Roberts (1992): 22-25; Tsebelis (1990): 104-118.

"If the background of our general role as Community officials seems clear, it is, however less evident in the mind of many Europeans how and for whom these policies and programs have really been conceived, develop and implemented...After the completion of the internal market program, DGIII has to come up with fresh policy ideas and to forward policy innovation, otherwise, DGIII is going to lose its comparative advantage in relation to other DGs, this of the most popular interface of the CEU in its relations with Industry".
(Commission of the European Communities/DGIII/Working Group7 1996: 4)

Using the fora, Bangemann and DGIII's top-officials from the post of the chair or the secretariat, they try to sell their role as problem-solvers to their clients. Through encouraging the dialogue on a regular base amongst economic decision makers, they try to identify focal points over policy action plans, and promote and create clustering and alliances or other forms of policy cooperation, which gives their policy agenda more leverage and feasibility.⁴¹

From the above presentation of empirical material concerning the structure of the official consultation channels between DGIII and its clients and suppliers, it is obvious that DGIII together, with its political boss plays a pro-active role with respect to the rest of the world. They are both keen to embark upon top-down policy exercises, where their role is not only that of a passive listening point and coordinator, but also of active mediator and policy entrepreneur.

The pro-active role of DGIII and Bangemann is the dominant element in the official process, but this does not necessarily mean that conventional clientism is not present in the communication structure. The organizing of DGIII in industrial sector specific

⁴¹ Typical examples of this activity are the maritime forum and the top-down creation of the European maritime industry identity, the maritime task force on R&D, and the Europe-Japan round table.

divisions has been heavily criticized by pro-liberal and free trade proponents on the grounds that it leads to the capture of the functionaries of the DGIII by vested industrial interests (steel, textile industry, car industry, pharmaceuticals etc.). In the winter 1996 management seminar, this topic was one of the most debated amongst the top-official of DGIII. The functionaries working in the sector specific industries had to defend themselves against the "capture accusation":

"Sometimes experienced officials with deep knowledge of industry are suspected of having non-objective and biased attitudes towards the demands of their Industry". (Commission of the European Communities/DGIII/Working Group7 1996: 5)

The position of the general director was that the phenomenon of clientism existed in this particular sections and proposed as a remedy the periodical transfer of the personnel from one section to another in order to reduce the time span available for the flourishing of the phenomenon of corporatist capture. The DGIII officials concerned denied that they act as simple lobbyists for specific industries, and replied to these criticisms and the transfer proposals with the argument that

"moving personnel simply to avoid involvement with industry is counter-productive, leading to loss of experience and complaints from industry...these ideas have to be firmly refused and combated as they do not correspond to the reality, create confusion within industry and contribute to the loss of expertise and critical behavior in given industries". (Commission of the European Communities/DGIII/Group7 1996: 5)

The existence of the dispute, and the official acceptance by the general director of DGIII that clientism exists in his directorate reveals that invisible politics with a bottom-up direction exist and are responsible for many new policy proposals or the specific interpretation of general policies at the implementation level, according to the preferences of the industry involved. Despite the officials of DGIII denying that they

act as simple lobbyists and arguing that they work to promote the long-term interest of their client to compete efficiently in world markets, none of them was ready to propose to the client industry that it has to close down. It is clear that DGIII officials have to accommodate preferences and then shape them in a way that promotes rather than eliminates the specific interests. Therefore, the top-down direction co-exists with the bottom-up in the official process of consultation. In conclusion, therefore, it can be argued that the proposed model of bureau-shaping behavior, where interest-accommodating strategies co-exist with interest-shaping strategies, appears to best represent this type of official communication channels.

THE UNOFFICIAL EXTERNAL CONSULTATION PROCESS BETWEEN DGIII AND ITS POLICY CLIENTS AND SUPPLIERS

As already discussed, informal contacts between DGIII officials and the rest of the world is a common phenomenon which takes place in both stages of the formal consultation. This activity constitutes the hard-core process of what I defined as invisible politics. The fact that this consultation process takes place ad-hoc at any time and not on a regular basis, makes the study of the process a formidable, if not impossible research task. However, lobbying in Brussels is a common activity, which takes place everywhere, and, despite the fact that it is not formalized as in the case of US policy-making tradition, nobody doubts its presence and influence on EU policy-making.⁴² The bottom-up dimension, where the CEU accommodates the policy preferences of its clients, is clearly present and accepted. In the informal consultation, it is interesting to see whether CEU officials use this informal channel for top-down

policy exercise in order to materialize their observed preference-shaping strategies at the formal level.

During a stage at DGIII in winter 1996, I had the opportunity to participate as an observer in several of the directorate's internal policy formulation meetings, and so gain an insight into how DGIII deals with its policy environment on an informal base in order to promote its policy objectives. The output of these observations, with respect to the research question set out above, is that a top-down dimension in the unofficial consultation exists and plays a crucial role in the directorate's policy-making.

The most illustrative example of this assertion is my observations from a closed meeting amongst directors and heads of unit of DGIII held in Brussels on 16 November 1995, as part of the policy exercise "Information Technology (ESPRIT), meeting the needs of Industry."⁴³ The director of DGIII/F responsible for this task spoke in the closed meeting to his top-officials in DGIII responsible for all the industrial sectors, and tried to set the policy style of talking to the industry. He outlined the steps in the process of pursuing the objective, "meeting industry's need", and in allocating a budget of 10MECU to "good" R&D activities. The director started with the point that industry does not necessarily have clear ideas on how to incorporate information technology to its activity. Therefore the first step for DGIII was to "stimulate industry to see what it really needs". He juxtaposed the arguments

⁴² See the work of Richardson and Mazey on EU lobbying in Richardson and Mazey (eds) (1993).

raised by some of his colleagues, that DGIII cannot know more than industry itself what constitutes its own needs, and that this top-down practice of picking winning projects "disturbs the wise invisible hand of the market". He replied to these concerns by saying emphatically:

"Please stop this religion, and see in practice if DGIII is able to identify and shown to industry needed information technology applications. There is no alternative. There is only one-way for us: imagine, design, discuss, decide"
(Alexopoulos 1995a)

Imagination, of course, does not come out of the blue, but has to be based on the various inputs that DGIII experts obtain from formal, R&D task forces, workshops, round tables, other fora, and informal channels of communication with industry.

However, the director raised the point that industry associations are the participants and the contact points for DGIII's formal consultation, and that these associations are not well equipped to identify industry's information technology needs. Because of this problem, he proposed to use the associations as information channels to bring their members, namely the individual industries, into the game. Moreover, to get active managers and not only industry's lobbyists into the game, he suggested that before the formal meetings with industry, DGIII should use any kind of consultation to gather information from the active players of that industry. He encouraged his colleagues to make extensive use of unofficial consultation to prepare the formal meetings: "Lets talk informally, with our "friends" in each industrial sector" (ibid.). Another way of proceeding, he suggested, was through studies on each particular industry, which

⁴³ The meeting, which took place in Rond-Point Schuman 11 at 1600 on Thursday 16 November 1995, was organized by the director of the directorate F as the initiation of a discussion on the proposal: "Industrial Information Technology projects and industry policy: a proposed new action".

DGIII can order from private consultants. In any case, the top-down dimension in this process is dominant. This is a characteristic example of how the top-officials of DGIII use informal information channels not only to accommodate, to the extent that they exist, the policy preferences of their clients, but also to shape the preferences of their clients when they do not appear to be aware of the usefulness of the proposed policies.

As P. Weissenberg, the director of DGIII/D, and later chief of Bangemann's Cabinet, at that time responsible, amongst other things for the technology-intensive industries of aerospace, defense, maritime and the related R&D task forces, characteristically said to his colleagues in another meeting for the R&D Task Forces:⁴⁴

"Industry needs to be educated in the policy style of identifying together with us, R&D priorities, and searching together with us, for the promotion of them, through cooperative R&D actions, and by using private and public funding, to create synergy, and to avoid overlapping or capital inadequacy. In this policy style, the Commission acts as a catalyst, and a coordinator". (Alexopoulos 1995b)

DGIII appears to function pro-actively, making extensive use of the informal consultation process to promote its policy objectives. What I describe here is clearly a pro-active rather than a re-active role of DGIII concerning, through the un-official external consultation, the policy preferences of industry.

⁴⁴ The meeting was held in Weissenberg's office on 8 November 1995 amongst the concerned officials from DGIII/D with the aim of discussing the R&D priorities of industry.

The Policy Output of DGIII as Policy-Maker

In order to have a complete picture of the role of DGIII as a policymaker, it is also necessary to examine the policy outputs which are pursued and produced in the process. Looking at the present tasks and policy instruments of DGIII, we can see that DGIII is still involved in regulatory activity concerning the standards and the functioning of the internal market, and also holds the budgetary instrument of the ESPRIT program to promote industry's competitiveness. Concerning new policies, the vast majority of them are neither regulatory, nor budgetary apart from the reallocation and optimization of the existing ESPRIT budget. The 1996 and 1997 Work Programs of DGIII basically consisted of: reports on progress of running policies, communications, activities of launching and managing R&D pilot projects, demonstration projects to diffuse R&D results to the various industrial sectors, initiatives to develop fora for cooperation, actions to organize dialogue between decision makers, experts and the industry on a regular base, and initiatives to modernize the role of public authorities with respect to industry. DGIII also issued a few directives strictly related to the completion of the internal market. In contrast to its heavy regulatory activity in the past, DGIII turned to market-driven open standards in the place of proprietary ones and tried to decrease the regulatory burden on economic agents to the minimum level.

In terms of budget size, the work program for 1996 and 1997 remained constant, and even in some cases, was reduced. As emerges from the management seminar in winter 1996, a budget increase is not the first priority of DGIII. Instead, the top priority, in

line with the management objectives of the whole Santer Commission, is to increase not the size, but the internal efficiency of the existing budget. However, this fiscal discipline is not translated to frozen or squeezed competence for the DG. On the contrary, this budget constraint, externally set by the member states, appears to push DGIII to seek more actively to expand the types of policy instruments mentioned above, which are characterized by their non-budgetary form, and their orientation towards building communication channels and disseminating information on a permanent institutionalized base. The new policies mainly address the problem of institutional failure rather than the problems of financing concerning the functioning of industry. Since it cannot finance industry, DGIII tries to earn its role as project manager, information channel, policy coordinator and policy entrepreneur.

All the new policy instruments--the maritime forum, the maritime information society, the R&D task force "Maritime Systems of the Future"--introduced by DGIII in the domain of maritime industries are elements of the above mentioned policy roles. The OECD agreement on shipbuilding state aid could be added to the regulatory actions--the 6th and 7th Directive on shipbuilding--already taken by the Commission in order to reduce market distortions and to promote fair competition for the shipbuilding industry in the world market.

These policy outputs cannot be predicted by bureau maximizing bureaucratic theories and theories of European public policy, which ignore the role of institutions with their own incentives to become involved in policy-making. However, if the analysis is based on a bureau-shaping bureaucratic politics approach, it is a straightforward outcome.

Based on the above results concerning the dynamics of the involvement of DGIII as policy-maker for European industry, I will seek to understand the strategies followed by DGIII towards other DGs in interservice consultation and towards clients and experts in its external environment in the specific case of European policies related to maritime industries.

The Strategies of DGIII towards Maritime Industries and the Other DGs Involved

It could be argued that the top-officials of DGIII want to promote the interests of their traditional clients, mainly shipbuilders and other related industrialists, and launch the term maritime strategy with the broadest possible dimension in order to bind together all the industries related to the sea. However, this policy exercise cannot be explained as a bottom-up exercise where DGIII simply accommodates the policy preferences of its policy clients. Rather, it can be perceived as an interactive process where DGIII both accommodates and shapes the policy preferences of the maritime industries and regions. Along this line of policy strategy, between 1990 and 1997, five annual policy reports were produced by DGIII in the form of communications to the Council, the European Parliament, and to the Social and Economic Committee. These concerned the situation in shipbuilding and the efforts of the CEU to introduce a new policy approach which embraces the whole spectrum of maritime economic activities.

In explaining the policy strategy of DGIII to report on an annual base on its efforts to promote public policies for maritime industries at the European level, we can start from the assertion that this strategy is a response by DGIII to persistent pressure from

maritime interests, and not part of a top-down, DGIII policy strategy.⁴⁵ Going through these policy documents, it is obvious that they basically reiterate the same policy ideas. However, each year they seek to remind the rest of the involved institutional players at the European level and the capitals of the member states of the importance of maritime industries as a whole for Europe's population and not just the significance of specific partial industrial interests such as shipbuilding. DGIII tries, in a systematic way, to create a policy momentum for new Europe-wide and state-driven policies to promote Europe's maritime interests. It is DGIII that calls upon a series of interacting players to identify themselves as maritime industries in order that they can, in turn, claim from Europe's public authorities specific public goods such as infrastructure, R&D, environmental protection measures, etc.

It is important to notice the strong top-down dimension of the two-way policy process. Let us examine whether DGIII acts as if it were captured by powerful industrial interests such as shipbuilding. There is no doubt that, at the beginning of 1990s, Bangemann was receiving persistent pressure from German shipbuilders such as Bremen and Vulcan and from the European Association of Shipbuilders (CESA) in general to do something for them at the European level. Shipbuilders were trying to regain some of the policy instruments that they had lost at the national level and to respond more efficiently, with new policies, to the unfair, aggressive trade and industrial policies of Japan and Korea. These countries became the Europe's main competitors in this field, since they were assuming Europe's former dominant

⁴⁵ As a top official of DGIII admitted in an off the record interview in Brussels on 5th March 1996: "we can say that most of these communications are of limited substance. They just come out each year because we want to show to our clients (mainly shipbuilders) that we work hard for them."

position in most ship-construction and ship-repair markets. It was in this context that Bangemann had the "policy idea" to try to bring together shipbuilders, shippers and the other maritime industries and establish a common complementary maritime interest. In this way, he could create and represent a very "powerful client" in EU policy-making, obtaining more benefits for his "old friends" from the industry and more prestige for himself.

As discussed earlier, none of these groups--shippers, shipbuilders, fisheries, offshore industry and environmental groups--had previously considered that they could pursue concerted policies for promoting their interests. On the contrary, for years they believed that they had divergent interests. Since the beginning of the 1990, Bangemann and DGIII have been trying hard to convince them that they have something in common and thus constitute maritime Europe. As I have shown, in the historical tracking of this policy exercise, industrial preferences were basically industry specific, and none of them ever made a proposal for a maritime Europe. When Bangemann initiated the idea, most of the associations were suspicious of the effectiveness of a policy exercise which put conflicting interests in the same basket. Moreover, due to the fragmented character of the production structure of the maritime industries, many of these individual enterprises mainly SMEs never thought that apart from shipbuilders, shippers or fishers, they could also be members of the European maritime industry. This led DGIII, in 1995, to put on its policy agenda an action plan to promote the concept of maritime industry, by creating greater cohesiveness within the industry, setting up a database of its client industry and organizing a public

relations campaign.⁴⁶ These initiatives were intended:

"to inform and promote the concept to individual companies and organizations, which are defined as Maritime Industry, and to persuade other relevant audiences to recognize the Industry as vital to European Industrial, Transportation, and Economic policy and performance...we (DGIII) consider that fundamental to the above objective is the need for enthusiastic support and coherent understanding of the Industry to be generated and evangelized by key opinion formers within the sector itself." (Industry and Investor Relations Ltd 1996: 11)

Two years later, on 14 March 1997, during a workshop for the setting up of the maritime industry's R&D master plan, Paul Weissenberg, the chief of Bangemann's Cabinet, said to Europe's maritime industrialists:

"There is still a need to convince Europe that it has a strong "maritime identity"...we (Bangemann and the DGIII) created the momentum at the political level, we have managed for the last six years to put the maritime issues on the political agenda...Bangemann managed to have the maritime issues on the priorities of the 5th Framework... please show to the politicians the public goods that maritime industries can deliver...lobby member states at the Council to allocate more resources to maritime issues...we have created the political momentum, maintain it and take advantage of it." (Commission of the European Communities/DGIII/D/5/TF 1997a: 1)

Therefore, the role of DGIII cannot be explained within the framework of corporatism and elite theories. An explanation however can be reached through the framework of bureaucratic politics, where the top-officials of DGIII are embarked upon a policy exercise in which they both accommodate and shape policy preferences, aiming to maximize their own utility function. The last could be achieved by the representation of more new clients such as shippers, fishers etc., and by managing more

⁴⁶ See in the Commission of the European Communities/DGIII/D/5/TF (1995) the minutes of the meeting between DGIII and the representatives of Industry and Investor Relations Ltd, London, UK--public relations specialists--held in Brussels on 20/12/1995 in order to examine the visibility of a

sophisticated policy instruments such as R&D policies and trade negotiations, which require more discretionary power and mediation.

The Strategies of DGVII Towards Maritime Industries and Other DGs

DGVII also adopted the term "Maritime Europe" proposed by Bangemann, but has tried to incorporate in the definition of the term its own policy priorities, namely to promote efficient and reliable maritime and intermodal transport systems rather than to focus on DGIII's concerns of job creation and competitiveness. However, the improvement of the efficiency, reliability, safety compliance and environmental protection aspect of maritime transport is based upon a sufficient infrastructure being provided by maritime industries such as shipbuilding and marine equipment. This requirement led DGVII to agree upon the idea of a unified policy agenda which brings together all the involved players. DGVII's aim is to achieve synergies for the promotion of maritime transport.

DGVII felt comfortable with the new policy framework, since most of the end-users of the goods and services produced by the maritime industries are part of the European transport system. DGVII is already established and operating as policy-maker for the European maritime transport policy domain. This gave DGVII the confidence to believe that it would be the dominant policy-player, promoting more effectively the interests of its own traditional clients --shippers and maritime transport related services-- and better exploiting its comparative advantage in the management

and implementation of the policies developed together with DGIII.

The Dispute

The convergence in policy preferences for both DGIII and DGVII initially led to the adoption of the term "a maritime strategy for Europe" as a new European policy framework for their clients. However, the two administrative units of the CEU were deploying strategies to promote their own policy targets, each of which assigned a different content to the term "maritime strategy". The aim of each DG was to define the term and tailor the resultant policy instruments in a way that maintained or upgraded the role of the respective DG in the decision-making process, and better served the interests of their own policy-clients. This led them to embark upon a dispute over the content, the design and the management of the policies decided within the framework of "a maritime strategy for Europe".

DGVII appears keen on maintaining its own clients without searching for new ones. Acting as an incumbent policy-maker in the European maritime transport domain, it tries to exclude aggressive policy invaders, such as DGIII, from its territory. DGIII acts as an aggressor searching for new clients and a new role because of the gradual shrinkage of its competence with the completion of the internal market program. This difference in the strategic behavior of the two DGs concerning the management of their competence could explain the constantly negative position adopted by DGVII towards any proposal made by DGIII which impacted somehow on DGVII's traditional clients. This was the case, for example, with the aggressive behavior of DGIII to ensure having the last say in every DGVII policy proposal concerning

competitiveness issues for the shipping sector.

A characteristic example of this reluctance of DGVII to accommodate DGIII's policy proposals and the aggressive behavior of DGIII in regards to competitiveness, is provided by the interservice consultation between the DGs for the communication COM(96)81 final, "Towards a new maritime strategy". This was prepared by DGVII, and especially regarded the Maritime Systems of the Future R&D Task Force (MTF), and the Maritime Information Society (MARIS). Concerning the competitiveness policy proposals of DGVII for the shipping sector, DGVII systematically ignored the suggestions made by DGIII and did not incorporate them in the final draft of the document.⁴⁷

In the COM(96)81 final, DGVII recognizes the usefulness of the new framework of policy-making, such as the maritime forum, proposed and chaired by DGIII, but only to the extent that it contributed input to the DGVII's own policy-making.⁴⁸ This recognition, however, did not occur for the cases of Maritime Task Force (MTF) and MARIS. The MTF is mentioned by DGVII very briefly at the end of the document, possibly because the task force is chaired by DGIII, but its scope of action goes much beyond the traditional policy interests in R&D of DGVII.⁴⁹ Speaking about R&D, DGVII refers with priority to the projects of the 4th R&D framework which have

⁴⁷ For this reason the Director General of DGIII sent a written complaint to the Director-General of DGVII, see Commission of the European Communities/DGIII/S. Micosi Director-General (1996).

⁴⁸ "The Commission Communication on short sea shipping made use of valuable input from the maritime industry forum", (COM(96)81 final: 1)

⁴⁹ The case of MTF shows in a comprehensive way the phenomenon of bureaucratic competition within the CEU over the control of new, or reintroduced policy instruments. In order to disentangle the dynamics of this process, I will examine MTF in greater detail in a separate part of this project.

been established with DGVII's supervision and support.⁵⁰ MARIS is not a DGVII project, therefore it is only mentioned at the end of the document. DGVII tries to convince its own clients--shippers, port authorities etc--that it is the main administrative unit concerned with their interests. However, recognizing the need of coordination of all the Community's R&D programs that are related to the maritime sector, DGVII tries, within the new policy framework, to maintain its position as a privileged interlocutor between its clients (shippers) and the rest of the Commission's departments. It is for this reason that DGVII tries to tailor money for R&D and define general R&D targets, namely horizontal technologies, according to the needs of shippers. In such a way, DGVII keeps for itself the communication gate between its clients and the rest of the Commission, and maintains its prestigious position in the R&D policy-making process.

DGVII followed the same strategy in the consultation process for the setting up of the priorities of the 5th R&D framework.⁵¹ In this process, DGIII attempted to have maritime R&D issues clearly identified as a separate, independent research priority in the 5th R&D framework. DGVII opposed this policy proposal since it wanted to safeguard the budget lines exclusively dedicated to transport R&D. DGVII's fear was that, if maritime transport R&D became part of a broader maritime R&D target, then maritime transport would end up competing with other maritime industries for financial resources, with the result that it would receive less than it received in the 4th

⁵⁰ COM(96)81final: 27

R&D framework. This dispute is a typical battle between bureaucracies for budgetary policy instruments under limited financial resources.

Ultimately, Bangemann succeeded in having the broad maritime R&D priorities, which exceed the maritime transport priorities of the 4th framework, identified as separate priority of the 5th R&D framework, alongside the R&D provisions for maritime transport. In the COM(97)47 "Towards the 5th Framework Program: Scientific and Technological Objectives", the CEU devotes a whole section to "Competitive and sustainable growth (IV): marine technologies" in the marine industries:

"The objective of this action would be to boost the development and integration of specific knowledge and technologies which would enable the Union to fully utilize the sea's potential, in support of a true European policy of the sea. The emphasis would be on technologies needed to boost the competitiveness of Europe in the range of areas concerned: technologies for the design of advanced ships which would be safe, efficient and environmentally-friendly; for the use of the sea as an economical means of transporting goods and people (advanced port infrastructure; regional maritime transport systems); and for the rational and sustainable exploitation of the sea as a source of energy and mineral resources (offshore and sub sea technologies)." (COM(97)47: 20)

DVII managed to have a special section in the objectives of the 5th R&D Framework dedicated to maritime transport under the title "Competitive and sustainable growth (II): sustainable mobility and intermodality":

"This action is intended to assist in this process, at the point at which transport, environment and regional policies intersect, by helping to set up a safe, intelligent

⁵¹ I carried out informal interviews in Brussels to get the information for interservice consultation between DGIII and DGVII for the research priorities of the 5th R&D framework, and the debate over the issue at the cabinet level. This was the only way to collect empirical findings since this part of

and interoperable land, air and maritime transport system for passengers and freight on a broadly intermodal basis at the European level. This requires, among other things, the development of systems for the rational management of transport, including second-generation satellite navigation and positioning systems; research on infrastructures, accessibility and the integration of regional planning and transport policies; and the development of socio-economic scenarios." (COM(97)47: 19)

However, DGVII failed to keep everything related to maritime transport R&D within this section. In many topics, such as shipbuilding and port infrastructure or regional maritime transport systems, DGVII had to share policy responsibility and accountability with DGIII and other DGs. At the same time, under the new, broader definition of the R&D need of maritime transport, new players are invited into the policy domain, and they too can apply for R&D financing. Since it was not certain that the member states were going to increase the budget dedicated to meet the increased demand for R&D funding, the traditional clients of DGVII would face increased competition in searching for financial resources for their R&D activities.

In this context, as I assume in my theoretical framework for "bureau-shaping strategies" pursued by the politicized bureaucrats of the Commission, Bangemann and DGIII have tried to reshape their competence at the minimum cost, and have attempted to reach their targets in the most frictionless way. They do not wish to draw the attention of other "ambitious" administrative units or other political actors and interest groups from the wider surroundings, by pursuing new policies since they are concerned that these groups could somehow block their "expansionist" effort. It was in order to minimize the hostility coming from the above mentioned environment, and

policy-making is strictly confidential. The above proves in the most straightforward way that this type

to maximize the utility reward coming from the policy instruments for which it has responsibility, that Bangemann and the top-officials of DGIII gave the chair of the maritime forum to Kinnock and DGVII in 1997 and for the subsequent two years.

Bangemann's decision was a very delicate one, and for some of the CEU's "insiders", it was a decision, that contains contradictory and incomprehensive elements. He decided to give the chair to Kinnock, but he maintained the right to co-set the agenda of the maritime forum by the keeping of the secretariat of the MF under the responsibility of DGIII. However, this decision can, to a large extent, be understood under the cost-benefit perspective of bureaucratic politics. It can be seen as a decision made within the framework of a tactic pursued by Bangemann to maintain the upper hand in the allocation of the R&D budget for maritime industries through the control of maritime task force, which is run under DGIII. The utility reward from the task force was weighted as a top priority by Bangemann, because he could thus be very useful to his "clients" in maritime industries for updating their technological know-how by channeling a sufficient volume of financial resources via this new policy instrument.

Based on this cost-benefit policy analysis, and by partially surrendering the maritime forum to DGVII for only two years, Bangemann tried to protect DGIII from the increasing aggressiveness of DGVII in challenging DGIII's competence over maritime issues. At the same time, with this offer, he wanted to show that DGVII's fears of that its own policy-territory was being invaded by DGIII, were unfounded. The analysis

of policy-making is not supposed to be watched by the public (invisible politics).

made by Bangemann was that the cost of keeping both the maritime forum and the task force maritime was very high, due to the increasing hostility of the other administrative units. Hence, a choice between the two was unavoidable. Under these conditions, he decided to keep the most policy profitable instrument, the maritime task force on R&D and to reconsider the case in two years time.

Overall, after this discussion of the dynamics of CEU policy-making in the field of maritime industries, it could be argued with some confidence that the attitude of DGIII complies with our assertion that it acts as an aggressor, searching for new clients, new policy instruments, and seeking to increase its benefits from the policies for which it has responsibility, with the minimum adoption and implementation cost. On the other hand, DGVII acts as a powerful incumbent, who tries to maintain and protect its own policy rewards from potential entrants. These challengers may affect the current dominant position of DGVII as a privileged interlocutor between the Commission and clients such as shippers and port authorities and as the administrative unit which provides access for these clients to budgetary and non-budgetary CEU policy instruments in the field of R&D.

The Dynamics of Bureaucratic Politics over the Definition of the Scope of the R&D Task Force "Maritime Systems of the Future"

Following the requirement of the research design to test the theoretical arguments through nested case studies, from the most general towards the most specific, I examine the hypotheses raised for the strategies used by the policy innovators in the sub-case of Community maritime policies; the introduction of the R&D task force "Maritime Systems of the Future".

The Strategies Followed by Commissioner Bangemann in Order to Create the Policy Momentum for the Introduction of the Task Force "Maritime Systems of the Future"

Against the background described above for the R&D challenges for maritime industries in the 1990s, Bangemann first conceived the need for coordination in maritime R&D. He identified the failure of national and European R&D policies to cooperate in order to avoid overlapping, to achieve synergies, to promote technological innovation at the required level, and to help maritime industries to compete effectively in the global market. Based on this reasoning, he managed to obtain the first mover's advantage in the maritime R&D policy-making. His first step was to propose the setting up of the maritime industries forum in 1990 and to work within its framework in order to sensitize those earning their living from the sea to a common policy agenda of a European dimension. Bangemann recognized these groups as a unified policy player. In this way, these industries obtained besides their sectoral, regional or national identities, a unifying identity of a European dimension. As already mentioned, this "sensitizing" gave greater leverage power to the otherwise fragmented maritime industries for promoting their interests.

At the same time, Bangemann tried to increase the awareness of the European public and policy-makers that it is in Europe's common and vital interest to support maritime industries in order to have clean seas, better transport facilities and a rational use of sea's living and non-living resources. In this way, he could reduce the cost involved in the effort to convince national and EU policy-making systems to adopt new policies

for maritime related issues.

The other important element that contributed to the effectiveness of the effort to introduce a Community driven policy on R&D for maritime industries, was that the three Commissioners related to the issue--Edith Cresson for research, Martin Bangemann for industry, and Neil Kinnock for transport and trans-European networks--hold common policy beliefs concerning the role of public authorities in complementing the functioning of the market. They share the same view that the market is an institution capable of doing some but not all jobs. Hence, there is a need for other institutional settings, such as horizontal industrial policies, "clever" R&D policies etc., which complement the market in its allocative role of resources. This common ideological framework as well as the strong and ambitious personalities of these three Commissioners, might explain the fact that, within the Santer Commission, these three Commissioners, have together proved very active in promoting R&D and industrial policy instruments (fora, round tables, task forces etc). Forming in this way a coalition in the college of the CEU, they have more bargaining power and leverage to succeed in winning majorities.

Within this policy environment it was easier for Bangemann to convince the other commissioners, in October 1994, that maritime industries should be amongst the six priority sectors to be considered as essential for industrial competitiveness, employment and the quality of life. On 25 March 1995 with its communication "R&D Achieving Coordination through Cooperation", the Commission decided and communicated to the Research Council, that it is essential for all the parties involved

in R&D activities to concentrate their research efforts on the six priority sectors.⁵² The member states could focus on improving the coordination of European research activities in these fields, in order to bring European and national research closer together, to avoid overlapping and to achieve synergies. They could also support demonstration projects if necessary. The CEU suggests that such actions must be undertaken at the Community level:

"No single company nor any member state has the capacity on its own to tackle the problems and challenges which arise." (Commission of the European Communities/DGIII (1996a): 1)

Central to the Commission's strategy for the better coordination of R&D is the new policy-making framework of R&D task forces. The task forces are organized and staffed by the Commission, and have the aim of coordinating all the Commission's R&D policies and related programs which have a major impact on the relevant economic activity. With the task forces, the Commission wishes to provide industry and research centers with a single CEU interface and contact point. The idea of the CEU is that, with this "guichet unique" approach, all questions and proposals for the Union's involvement in coordination or initiation of R&D programs can be answered, or channeled in the appropriate direction. The task forces are proposed as a new policy instrument of the Commission, but their function relies on inputs from all parties involved in the link between research and industry. According to the CEU:

"The Task Forces are flexible structures created within the Commission whose initial objective is to establish the "state of art" of existing research in their respective areas, and to identify, with all the actors involved (researchers, industrialists, users, public authorities, etc.), the key themes which deserve additional research effort." (Ibid: 1.)

⁵² See the COM(94)438 final

In 1994, Bangemann had already proposed to the Maritime Forum the creation of the R&D Coordination Group by maritime industries in order to provide the CEU with inputs in its effort to tailor and implement a more effective R&D policy. This proposal was adopted by the maritime forum in December 1994.⁵³ This made maritime industries to appear more advanced and better prepared to work under the R&D policy philosophy proposed by the Commission than other industries. This policy momentum, which was purposefully created by Bangemann, allowed him to convince the Commission, in June 1995, to adopt the maritime task force as one of the first pilot task forces on R&D.

The Dispute Between DGIII and DGVII in the Interservice Consultation over the Scope of the Task Force

With the announcement of the creation of the task force by Bangemann, Cresson and Kinnock, in Bremen, in June 1995,⁵⁴ the CEU administration units relevant to the policy instrument embarked upon a delicate, and certainly not "frictionless", interservice consultation in order to set the terms of reference of the Task Force. This dispute lasted until the end of October 1995, when the CEU adopted the final draft after a compromise at the level of the Chief of Commissioners' cabinet. The main players in this dispute were DGIII-industry and DGVII-transport. According to the decision of the three Commissioners, DGIII would chair the task force in close cooperation with DGVII, XII, XIII, XIV, and XVII. Therefore DGIII had the

⁵³ See the Commission of the European Communities/DGIII/D/5/TF (1994).

responsibility for drafting the terms of reference for the new policy instruments under the general guidance of the COM(94)438 final and of the other CEU directions concerning the importance of maritime industries for the economy and the people of Europe. The first draft was completed and sent for interservice consultation in August 1995, with DGIII asking for comments by the 4th September.⁵⁵ However, the process encountered difficulties and lasted until the end of October, due to strong disagreement expressed by the other DGs, most especially DGVII. Let us examine this whole process more closely.

Each of the directorates--DGIII, DGVII, DGXII, DGXVII, and DGXIV--tried to insert as much as they could from the projects and policies which come under their own responsibility. In this way they attempted to gain more control and to have a stronger say over the new policy instrument, since it would contain more elements from their own policies.

THE POSITION OF DGIII

DGIII acts as a new potential entrant in the field of maritime R&D. Until this time, the R&D for maritime transport was an exclusive policy area of responsibility for DGVII, while the R&D for marine science and technologies belongs to DGXII, energy and off-shore R&D belongs to DGXVII, and aquaculture R&D to DGXIV. The effort of DGIII to enter the policy domain of these other DGs has the major difficulty that DGIII wants to deal with "other DGs' money". The only budgetary

⁵⁴ See the Commission of the European Communities/DGIII/D/5/Maritime Industries Forum (1995).

instrument that DGIII holds in relation to maritime R&D is the ESPRIT, since information technology is horizontal with cross sector applications. It is not easy to instruct other DGs what to do with their own money. Against this background, DGIII tried to legitimize itself as a coordinator of the various specialized policies in R&D, which stood to gain in synergies and positive spillovers if the DGs in charge coordinated their activities. In order to justify its role as coordinator in the new maritime R&D task force, DGIII proposed the definition of the instrument to be the broadest possible in order to incorporate all the maritime related R&D programs run by the CEU. DGIII suggested that the maritime task force should cover R&D programs in marine transport, marine resources such as fishing, aquaculture, off-shore hydrocarbons and renewable energy, and the protection and preservation of the marine environment. DGIII also proposed the broadest exploitation of the maritime information society, and not only for transport matters, as DGVII preferred.

THE POSITION OF DGVII, DGXII, DGXIV, AND DGXVII

The main opposition to DGIII's proposed terms of reference came principally from DGVII-Transport, and, to a lesser extent, from DGXII- Science. DGXVII-Energy and DGXIV-Fishery did not feel threatened by the manner in which DGIII was trying to define the scope of the task force.⁵⁶ DGXVII and DGXIV were running R&D

⁵⁵ See note send by Miccosi-DGIII, to the other DGs concerned on 9/8/95 (Commission of the European Communities/DGIII/Director-General 1995).

⁵⁶ For the position of DGXIV see the comments sent to DGIII by the director, E.Mastracchio, with the Commission of the European Communities/DGXIV (1995) note. For the position of DGVII see the comments sent to DGIII by the director, general, R.J.Coleman, with the Commission of the European Communities/ DGVII/ Director-General (1995) note. For the position of DGXII see the Commission of the European Communities/DGXII/A1 (1995) note. For a brief presentation of the comments of DGVII and DGXII and the response of DGIII see the Commission of the European Communities/DGIII/D/5/TF (1995b) note.

programs with smaller budgets than those of the other DGs. In the case of DGXIV, the main concern was how to optimize the use of the existing resources, since their policy clients were not taking full advantage of the available budget.⁵⁷ DGVII had an overloaded policy agenda, with the liberalization of the state electricity utilities and the promotion of the pan-European energy network. DGVII's existing R&D programs on energy based on renewable resources and the use of marine resources to produce energy were relatively small, and would not be reduced in the framework of the task force. On the contrary, both DGXVII and DGXIV were looking for ways to make alliances within the administration in order to make their policy agenda more popular and to attract more clients from industry and research institutes to invest in their R&D programs. Their strategy was to improve and better utilize the R&D policy instruments they held and to obtain more users of their policy instruments. The allocation of more resources to energy and fisheries was not the priority, but rather the next step after the full exploitation of the resources already allocated. The task force had the potential to work as a catalyst for DGXVII and DGXIV to achieve their targets without losing either their established position in CEU policy-making or their privileged relations with their traditional clients. Hence, with this timetable, DGXVII and DGXIV had no reason to oppose DGIII's invitation to this broad R&D policy exercise. In any case, it was beyond their policy agenda to become the coordinators of the whole maritime R&D exercise, since the profile of their task as administrative units --energy, fisheries-- had a partial content which could not legitimize such an expansionist strategy.

⁵⁷ In the first meeting of the Task Force in Brussels, 17/10/95, DGXIV complained that the fishery industry--the client--was not taking advantage of the related budget lines of the 4th R&D framework. See the Commission of the European Communities/DGIII/D/5/TF (1995c).

On the other hand, DGVII proposed a definition of the Task Force to fit exactly within its own competence. It proposed that:

"The main role of this Task Force is to look at the different R&D requirements of the shipping sector...aiming at the enhancement of the competitiveness of the maritime transport."

(Commission of the European Communities/DGVII/Director-General 1995: 1)

In the same note, DGVII criticizes DGIII, on the grounds that it tries to bring too many and different R&D programs under its control: "[...] it seems to us that trying to coordinate too many sectors (transport, materials, technology, marine resources, telematics etc.) may be counter productive."

Additionally, DGXII, despite the fact that it was ready to accept the role of DGIII as coordinator, responded⁵⁸ to the latter's proposal for the terms of reference by suggesting that DGIII was trying to expand the competence of the task force beyond "normal" bounds and was trying to bring too many R&D topics within its scope. Both DGVII and DGXII claimed that the terms of reference ran counter to the mandate given by the CEU with its COM(94)438 final to create a R&D task force to promote transport, a public good that is essential for the life of Europe's people. The response of DGIII was that the Task Force had to comply with the needs of maritime industry and to promote R&D for the whole spectrum of maritime industries. Its aim was also to help many of these industries emerge from recession and gain competitiveness in the world markets. In DGIII's view, the public good was job-maintenance and job-creation, and users' oriented R&D, which is the hard core of the COM(94)438 final.

Later, DGXII withdrew its objections, but DGVII maintained its position. DGIII argued that DGVII wanted to leave marine resources R&D out of the terms of reference. Such that the scope of the task force would better fit DGVII's profile,⁵⁹ and thus it would be able to make a claim to co-chair the task force. DGIII's assertion is not far from the reality since DGVII officially declared its intention to challenge the decision taken at the Commissioners' level that DGIII should chair the task force. DGVII wanted to reopen the issue of who ran the task force during the interservice consultation. R.J. Coleman, the general director of DGVII, in his reply to DGIII argues: "Moreover, I would like to suggest that the inter-service meeting would also deal with the organization and management set-up of the Task Force" (Commission of the European Communities/DGVII/Director-General 1995).

DGVII, managing transport policies and having responsibility for most of the budget lines for trans-European networks, multimodal transport, transport network interoperability and maritime transport, felt it had the most legitimate claim to run the task force. Therefore, it was unhappy that the task force was to be run by DGIII and thus acted as an incumbent, who does all it can to keep out of its domain every potential entrant, raising the cost of entrance and blocking any communication between the potential invader and the incumbents' policy clients. This explains the relative unwillingness of DGVII, in comparison with the other DGs, to accept DGIII's proposals for the terms of references of the maritime task force.

⁵⁸ See the Commission of the European Communities/DGXII/A1 (1995).

⁵⁹ See the Commission of the European Communities/DGIII/D/5/TF (1995b).

The Equilibrium Point of the Rival Strategies

DGIII finally won the battle over the terms of reference of the task force. According to my theoretical framework of bureaucratic politics, I can attribute this output to two main elements: first, Bangemann and DGIII, acting as policy innovators, obtained the first mover advantage by selling the necessity of a new policy which was tailored to fit to their own policy profile; secondly, the cost for DGVII to reduce the scope of the task force to include only transport was very high, since this would have left too many industries, which had already been identified by the CEU as interlinked and essential for Europe's employment and quality of life, uncovered in terms of R&D policy coordination. The interest of DGVII to promote an effective European-wide transport system, something which had also been identified by the CEU as essential for the people of Europe, could not be served against the need to boost the competitiveness of the rest of the European maritime industries. These industries also have a major impact on the employment, energy, and environmental dimension of Europe's societies. The CEU as a whole adopted the proposal of DGIII for the maritime task force, because it was a broader R&D policy exercise that aimed to promote, through technological innovation, more than one public good, that is, it promoted competitiveness, and energy and environmental sustainability, including transport system effectiveness. Such an inclusive policy exercise could more easily find support and legitimacy from a wide spectrum of socio-economic actors than could narrow transport efficiency interests. According to this cost-benefit policy analysis, it is not surprising that the CEU adopted the proposal of DGIII for a broad R&D Maritime, and not the DGVII proposal for a strictly maritime transport task force.

The OECD Negotiations for the Elimination of Distortions in the World

Shipbuilding Market: the Dynamics of the Commission Involvement in the Negotiations

Finally, I test the raised hypotheses, and examine the validity of the theoretical arguments of the Community policy-making model of bureaucratic politics against the empirical findings in the case of the OECD negotiations for eliminating market distortions in shipbuilding. With the examination of this case, I obtain a complete test of the theoretical framework throughout all the main elements of the Community maritime related policy-making.

The Case

In none of its proposals concerning shipbuilding did the Commission propose multilateral negotiations for shipbuilding subsidies. In any case, as I learned from interviewing one of the Commission participants in the negotiations, even if someone were to propose negotiations over the issue, nobody believed that these negotiations could ever lead to an agreement. This prediction can also be made by looking at the policy preferences of the negotiators. It is obvious from the mapping of the policy preferences that there is no convergence among the policy actors. There are, then, two obvious questions. Who took the initiative to propose the negotiations, and how did the negotiations reach an agreement?

Surprisingly, the initiative came from the part of the USA in late 1989, despite the fact that the US shipbuilding industry represents a very small share--1-2%--of the world market. However, the agreement came about due to the involvement of the Commission as a broker in the process. This leads us to raise the second question, concerning how the agreement came about, and to try to disentangle the apparent

paradox of an agreement, which nobody wants, but everyone agrees to sign. To understand this, it is necessary to bring in our discussion the role of public institutions such as the Commission.

If the Commission was acting merely as the representative of the member states and national industries, its position during the negotiations should be very moderate in pushing for agreement. Neither the member states nor the industry wanted to eliminate but rather to bring under control state aid. However, in the five years of negotiations, the Commission developed a pro-agreement position which cannot be explained by interest-based theories which ground their analysis on the examination of underlying factors such as state and industry interests. Let us examine in more detail the role of the Commission, basing our approach on the assumption that the Commission is a policy actor with its own policy objectives that it interacts with the other players involved.

The History of the Agreement

The shipbuilding agreement was negotiated under the auspices of the OECD between the EU, the US, Japan, South Korea and Norway. The final act of the OECD agreement was signed by all the OECD parties in Paris on 21 December, 1994. The signing of the agreement was the result of tough negotiations started in 1989 and concluded "ad referendum" amongst the negotiators in July 1994. The Commission represented the Union in the negotiations on the basis of a mandate given to it in July 1990. In this process the Commission was in regular and strict consultation with all the twelve EU member states. The final outcome of the negotiations, the agreement of

July 1994, had been approved by the Council of the EU foreign ministers, and the final act was then signed by all OECD members involved. What remains to be done for the agreement, to enter into force, was the ratification of the treaty by all the signatories. All the parties committed themselves, at the time of signing the final act, to ratifying it by the end of 1995. However, at the beginning of 1997, the USA showed unwillingness to ratify the agreement. As an interim solution, the Commission proposed to the Council a prolongation of the Union's present state aid regime for three more years. As Commissioner Bangemann pointed out in the Maritime Forum in Marseilles of 4-5 July, 1996:" we must not leave our industry unprotected, as long as third countries do not abandon their protective trade practices" (Commission of the European Communities/DGIII/D/5/Maritime Industries Forum 1996).

The Content of the Agreement

This agreement on shipbuilding aims to introduce fair competition and to prevent unfair trade practices at the global level in what has been for many years a sector characterized by unfair practices and distortion of competition. Under the agreement, on its coming into force, all parties will eliminate direct and indirect subsidies to the shipbuilding industry. Some forms of aid will still be permissible, notably selective spending on basic research--up to 50% of eligible costs--or applied research--up to 35% of costs. Anti-competitive actions such as price-fixing, bid-rigging, or predatory practices will also be outlawed.

The main policy instruments of the package are:

- a) Anti-dumping instruments tailored to fit the shipbuilding sector,
- b) A revised approach to export and home credit for ships. On the one hand this accepts the significance of public, export and home credit schemes as vital means for stimulating growth in shipbuilding, a sector severely hampered by a fall in demand and by painful restructuring. On the other hand, the agreed approach to credit schemes intends to improve the climate for growth in the sector without allowing one country to exercise more favorable export credit terms than others.
- c) The abolishment of the "Jones Act", a legislation protecting domestic US shipping from external competition. The Jones Act currently reserves the US domestic shipping market--which is, however, a small market--for US-built boats. With the agreement, the US has to abandon the "Jones Act" within the next three years of the agreement coming into force.
- d) Special treatment for restructuring. All the countries which have presented plans for the restructuring of the shipbuilding sector to the EU--namely Spain, Portugal, and Belgium--could have these plans exempted from the disciplines of the agreement until 1997 for Belgium and until 1998 for Spain and Portugal.

Europe's Shipbuilding Industry, National Policies and the Community Policy Challenges

From the mid 80s on, EU shipyards produce about 22% of the total world ship output. Its main global competitors are Japan with 42% of the world market and Korea with 17%. Other producers with a significant share are China with 2.3%, Poland with

2.5%, Russia with between 2% and 3%, and Ukraine. The US only produces between 1-2% of the world production--a small number of ships used almost entirely for internal cabotage and US coastal shipping.⁶⁰

Worldwide, shipbuilding has been a heavily subsidized labor-intensive sector for two basic reasons. The first is the importance of the sector for the defense industry of the states, and the second is the high political cost for governments in the event of closing down shipyards. Job losses in shipbuilding could have a severe impact on unemployment and could lead to de-industrialization of local and national economies. Due to these factors, until the mid 80s in Europe most of the public policies related to shipbuilding benefited from various forms of state aid.

In terms of public policy-making,⁶¹ the 80s was the decade during which all the economies of Europe faced serious problems in the management of their public budgets and public deficit was a serious issue. It was during that time that the cutting of public spending and the task to curb the public deficit became the first priority in the economic policy of the member states--a clear departure from the conventional recipe of Keynesian type macro-economic policy.

After the mid 80s, the member states appeared to be running the risk of financial

⁶⁰ For a complete picture of the trends until the late 90s see the communications for the European maritime industries of COM(91)335 final; COM(92)490 final; COM(93)526 final; COM(95)38 final; COM(96)84 and COM(97)470 final.

⁶¹ For the situation on Europe's public policies concerning shipbuilding, and the economic background in the late 80s see also in this thesis the shipbuilding section on "The Policy Preferences of Europe's Maritime Industries, the Failures of National Policies as European Policy Challenges: The Window of Opportunity for the Commission".

suffocation. On the one hand, they had to spend in order to satisfy the increasing pressures for more subsidies exerted by industries experiencing difficulty and the increased need to support the rapidly growing number of unemployed, and, on the other hand, member states had to curb the public deficit due to its inflationary pressure. Obviously, the existing state-driven subsidy schemes were reaching their limit of their capacity to absorb the public pressure. As a result, state aid policies were no longer considered by governments to be the first best policies available.

It was at that time that the Commission took these policy circumstances as a window of opportunity and intervened with a series of policy proposals which established the Community-driven policy concerning shipbuilding. The proposals were based on three policy targets:

- a) To set a ceiling on subsidies amongst the producers of the member states with the call to compete outside and not inside the EC. This target was a defensive policy reaction to the budget constraints which the national governments were facing. It was for this reason that the member states welcomed and easily adopted not only soft law intervention by the CEU, but also policy-making in the form of directives, such as the 6th directive in 1987, and the 7th directive in 1990, concerning state aid to the shipbuilding industry.
- b) To promote the restructuring of the shipbuilding industry with the introduction of modern technologies such as information technology and electronic automation-robotics and, in this way, to transform it from a sunset, labor intensive industry to a capital and technology-intensive industry. According to the Commission, this was the only way for the industry to compete efficiently with its main world competitors, Japan and Korea. In the 80s, in order to realize this policy target, the

Commission came up with three policy communications to the Council and the Parliament; the COM(87)275 final, the COM(88)205 final and the SEC(88)440.

- c) At the same time, the Commission started bilateral negotiations with Japan and Korea in order to set up a playing field of competition and to avoid aggressive competition amongst these parties.

The Policy Preferences of the Players Involved in the OECD Negotiations for Fair Trade in Shipbuilding, and the Window of Opportunity for the Commission

By the end of 1980s, nobody in Europe, Japan or Korea considered the possibility of starting multilateral trade negotiations to eliminate subsidy schemes at the level of the global market. On the contrary, shipbuilders worldwide wanted to maintain these subsidy schemes. In Europe, industry accepted the ceiling on subsidies imposed by the Commission, in order to rescue as much of the state aid it could, since this was diminishing due to the increasing lack of financial resources available to the states. In fact, the shipbuilding industries of the member states were competing among themselves to obtain a larger share of the market. This competition was based on who received more export and production subsidies from the national governments.

At the same time, Japan, and Korea began to appear much more competitive and to gain increasingly greater market shares. Under this threat, European industrialists had no alternative but to stop competing internally over new subsidies and to ask public authorities for protection from the aggressive trade behavior of Japan and Korea. Shipbuilders began pushing for negotiations to maintain their market shares by setting a ceiling on the capacity of Japanese and Korean shipyards.

National administrations in Europe were also happy with the initiative of the Commission to set a ceiling on state aid, but their thinking was not so strategic as to embark upon multilateral negotiations to eliminate subsidies in shipbuilding worldwide⁶².

Japan and Korea were using state instruments such as home and export credit schemes or other forms of state aid to increase the capacity of their shipyards and to support them in gaining greater market shares. These countries did not have any difficulty financing these kinds of subsidy schemes, since it is well known that in the 80s both Japan and Korea had high rates of saving, low interest rates and small public deficits, if not surplus. Moreover, East Asian countries had no interest in starting any kind of negotiations for the elimination of subsidies, since these subsidy schemes appeared to be their comparative advantage in relation to their European competitors.

In none of its proposals concerning shipbuilding did the Commission propose multilateral negotiations for shipbuilding subsidies. In any case, as I was informed during an interview with one of the Commission participants in the negotiations, even if elements within the Commission had it in mind to propose negotiations over the issue, nobody believed that these negotiations could ever lead to an agreement. Therefore, there was no need for the Commission to propose such a process which

⁶² See the position of the member states, and of the European Associations of Shipbuilders in the proceedings of the Rotterdam and Bremen plenary sessions of the Maritime Forum. Commission of the European Communities/DGIII/D/5/Maritime Forum 1994 and 1995.

was considered to be doomed to failure.⁶³ This prediction can also be made by looking at the policy preferences of the negotiators. The mapping of the policy preferences shows that there was no convergence among the policy actors to start multilateral negotiations. Surprisingly, the initiative came from the part of the USA in late 1989, despite the fact that the US shipbuilding industry represents only a very small share 1-2% of the world market. However, the agreement came about due to the involvement of the Commission as a broker in the process. Let us examine more closely the role of both the US as policy initiator and the Commission as policy broker.

The USA Opens the Window of Opportunity

To start from the beginning, in June 1989 the US shipbuilding industry, represented by the shipbuilders' Council of America, filed a claim for injurious unfair subsidies under section 301 of the US trade laws, against the major shipbuilding countries of the world: Germany, Norway and Japan. Later that year, however, US trade ambassador Carla Hills persuaded US shipbuilders that a better way to eliminate the foreign subsidies was for them to embark upon multilateral negotiations. Industry then withdrew the complaint based on section 301 in return for the "accused countries" accepting to come to the negotiating table. The OECD's five-year quest to eliminate shipbuilding subsidies had begun.⁶⁴

How did the United States become involved in this business? Did they really want to

⁶³ Interview with DGIII official made in Brussels on 4/03/1996.

eliminate subsidies? These are the obvious questions that have to be answered in order to understand the role of the US as the initiator of the negotiations. In 1998, seven years later, we can safely say that the agreement was not their aim. That is why US has not ratified the reached agreement, almost three years after it was signed, making it the only government which did not proceed to comply with the agreed timetable of ratification.

In the late 80s, the US shipbuilding industry was searching for various ways to press US government for subsidies, since it was facing serious survival problems.⁶⁵ US shipbuilders wanted to put the government under pressure on the grounds that they could not compete internationally because their competitors were supported by constant funding from foreign treasuries. By signing the 301 complaint, they sought to make it obvious to the US government that they were facing unfair trade competition. When the government proposed to them starting multilateral negotiations, the industry accepted because it had the certainty that there was no way for an agreement to be reached. Therefore, following the probable failure of the negotiations, the US government would protect them against the unfair trade practices of their world competitors by offering them new subsidies.

In fact, the USA abolished a state aid scheme of 50% subsidy for shipbuilding in 1982, under the free trade liberal bonanza of Reagan's administration. However, at the same time, US government replaced the scheme with massive military orders for new

⁶⁴ For the position, and the role of the US in the negotiations, see the Congressional Record-Senate (1995): 15496-8.

war ships and vessels for the US Navy. In the late 1980s, the Department of Defense re-evaluated the need for new ships and cut the orders under the threat of a huge public deficit which the US was running. This development caused the US shipbuilding industry to reconsider the alternative of competing for commercial ship-construction orders in a subsidized world market. Finally, US shipbuilders managed to obtain new state aid from the Clinton Administration. They used the OECD negotiations, which continued on and off for five years as evidence that there was no fair play in the world shipbuilding market. The state aid took the form of a revitalization plan for the shipyards and consisted of federal assistance to industry in order to convert from defense production to civilian markets.⁶⁶ After the initiation of the new US state aid scheme for shipbuilding, US shipyards were no longer interested in the OECD agreement that had been reached in 1994.

This raises the second question; “how did the agreement came about?” and forces us to try to disentangle the apparent paradox, of an agreement which nobody wants but that everyone agreed to sign. To do this, it is necessary to bring into our discussion the role of public institutions, such the Commission.

The Role of the Commission as Broker and Catalyst in the Negotiations

The Commission was the negotiator on behalf the member states. Of the negotiators, the Commission proved to be the keenest to reach agreement. During the negotiations, the Commission consulted closely with the member states and the industry. However

⁶⁵ "In ten years (1980s) the number of major US shipyards producing only commercial ships declined from 11 to 1" (Ibid).

if the Commission was merely presenting the position of the member states and the industry, its negotiating strategy in pushing for agreement should have been very moderate, since neither the member states nor the industry wanted to eliminate state aid, but, rather, to bring it under control. However, in the five years of negotiations, the Commission developed a pro-agreement position. This attitude cannot be explained by interest-based theories which ground their analysis on underlying factors such as state and industry interests. Let us consider in more detail the role of the Commission, basing our approach on the assumption that the Commission is a policy actor with its own policy objectives, and that it interacts with the other players involved.

In this case, as we have already discussed in the previous section, the USA, and not the Commission, was the policy initiator. The USA created the window of opportunity for the Commission to intervene and to play an active role. However, the output of this activity, the OECD agreement, is not the least-common-denominator of state interests, as the intergovernmental bargaining model expects. On the contrary, what we see is that the EU industries lobbied the US shipbuilding industry to press the Clinton administration not to ratify the agreement.⁶⁷

In addition, the agreement is not the Pareto efficient solution neo-institutionalism would predict. According to this approach, we would expect the Commission to act as a broker, trying to work out a prisoner's dilemma type of problem. In this case, the

⁶⁶ Ibid.

⁶⁷ Off the record interview with a Commission functionary who participated in the negotiation process of the agreement, 5/03/96.

agreement is Pareto optimal and the Commission fills the institutional gap--there is an institutional communication failure--and ensures the cooperative output. However, it is far from obvious that the agreement to cut down subsidies will make all the parties better off from the moment of signing. Everything depends on the implementation stage and the way the reduction in subsidies takes place. The move from the status quo to the Pareto frontier always has a strong redistributive effect. During the process of abolishing subsidy schemes, some will lose more than others or may even exit the market. This will be the result if there is no adjustment period involving policies tailored to support the specific industries and to help them to adapt themselves to the new open policy-environment. An equally important element for ensuring that everybody benefits from the agreement is the efficient monitoring of its implementation in order to avoid cheating.

Many from the side of the shipbuilding industry and the member states are very skeptical about the agreement.⁶⁸ They blame the Commission for proceeding too fast and signing the agreement following a dogmatic, free trade approach. As a result, they say, it underestimated the redistributive effects of the agreement for European shipbuilders.⁶⁹

In order, to explain this puzzling policy output, we have to obtain a better understanding of the role of the Commission in the process.

⁶⁸ See the proceedings of the plenary session of the Maritime Forum in Bremen 1995, and Marseilles 1996. Commission of the European Communities/DGIII/D/5/Maritime Forum (1995) and (1996).

⁶⁹ The continued complaints of the EP and the national delegations led the Commission to go back and ask for a longer period of adjustment for Spain, Portugal, and Belgium.

The Strategy of the Commission Towards its Policy Clients and the Dynamics of the Interservice Consultation

The Commission acted as a unitary player in the negotiations, but its position was the output of the interservice consultation that took place between the various directorates of the administration that were related, in some way, to the issue at stake. A delegation consisting of members of the DGI-International Relations, of the DGIV-Competition, of the DGIII-Industry, and also DGVII-transport for the Johns Act, went to Paris, where the negotiations took place. The chief of the delegation and the negotiator with the other delegations was a member of DGI. In the negotiations each of the DGs had to support a different policy objective. To proceed the analysis, and to explain the output of the negotiations, it is important to concentrate on reaching an understanding of the dynamic interaction of these negotiation-objectives.⁷⁰

THE NEGOTIATION OBJECTIVES OF DGIII

DGIII had to promote the interests of industry through proposals for improving the position of Europe's shipbuilding to compete in the world market. As a bottom line in the negotiations, it had to avoid agreements that would make industry lose the market share it held before the initiation of the negotiations. Together with the agreement to abolish subsidies schemes, DGIII was interested in obtaining from the negotiations the longest possible period for adjustment for Europe's shipyards, and guarantees that

none of the parties would cheat on the agreed measures during the implementation stage.

THE NEGOTIATION OBJECTIVES OF DGIV

DGIV had only one objective; to eliminate actions against competition based on the interpretation of specific principles of competition law concerning market access and the use of various forms of state aid, such as subsidies and public procurement policies. The guide and bottom line for DGIV in this interpretation was provided by the 6th and 7th directives on shipbuilding issued by the CEU in 1986 and 1987 which set a ceiling on subsidy schemes.

THE NEGOTIATION OBJECTIVES OF DGI

First and foremost, DGI wanted to reach, an agreement, since every negotiator prefers that negotiations succeed than fail. Over and above this, the objective of DGI, which derived from its role as coordinator of the CEU delegation, was the fine-tuning between the objectives of DGIII and DGIV. In other words, DGI had the task of promoting positions in order to maximize the positive output due to the improvement of competition in the sector, and to minimize distortions of the competition only where this was necessary for restructuring and adjustment reasons.

For our analysis, it should be added that the cost of not having the agreement was

⁷⁰ I systematized and codified the positions of DGIII, DGIV and DGI based on information collected through interviews with members of the Commission delegation, in Paris. Because of its confidential and invisible design, as I discuss elsewhere, the interservice consultation does not allow the publication

relative low, since the states, and shipbuilding industries did not really wish the abolition of state aid. The main competitors --Europe, Japan, and Korea-- could survive even without an agreement, and indeed, Japan and Korea did not want the ceiling on subsidies at all. The problem for the US was how to press the Clinton administration to provide them with state aid, which they eventually succeeded in doing. This preference background gave the negotiators plenty of time to negotiate in Paris, which explains the prolonged duration--five years--of the negotiations. However, the question remains why at the end, the negotiators, eventually reached the agreement, especially when none of the negotiating parties was interested in having achieving this outcome.

The fact that nobody wanted the complete and worldwide elimination of subsidies does not imply that everybody was against any form of regulation on shipbuilding. On the contrary, the negotiating parties could accept a worldwide ceiling on subsidies to the extent that the proposed ceiling was closer to their own national or, in the case of the EU, a Community ceiling on subsidies. In other words, the negotiating parties were willing to export to the others their own regulatory frameworks concerning shipbuilding in order to reach an agreement. They wanted to obtain in this way the minimum adjustment cost and the comparative advantage of familiarity with the new regulation.⁷¹ Hence, one can argue that the preference configuration not only gave time, but also room for maneuver to the negotiators as they sought to find a platform to agree upon.

of written documents with the positions of the involved departments. The only public position is the position of the Commission as a whole, as emerged from the interservice consultation.

⁷¹ For an extent discussion on the phenomenon of regulatory competition, see Heritier (1996).

Under the above conditions, DGI, DGIII, and DGIV embarked upon an inter-service consultation which resembles what I conceive of as invisible politics. Before the representative of DGI as chief negotiator for the EU entered the negotiating room to represent the position of the EU, the DGs interacted under the supervision of the Cabinets of Bangemann and Brittan and in close consultation with the lobbyists of the shipbuilding industry and the member states.

THE OUTPUT OF THE INTERSERVICE CONSULTATION

According to the negotiation objectives presented above, DGIII wanted to protect its client-industry from being abandoned to unfair trade policies in the event that the agreement had a low degree of enforceability. Moreover, DGIII wanted to establish the EU ceiling as specified in the 6th and 7th directive on shipbuilding subsidies and state aid as a worldwide subsidy ceiling. It was obvious that the immediate abolition of subsidies for EU shipbuilding could seriously damage the industry and create high unemployment in the maritime regions, thus imposing high political costs on the national governments. Therefore, the first best agreement for DGIII was a subsidy scheme that resembled as closely as possible to that of the EU. If this was not possible, the next best result was to obtain the longest possible transitory period after the signing of the agreement in order to allow industry to adjust.

On the other hand, DGIV, with its positive legalistic approach the pro-liberal

interpretive framework of its top officials⁷² was very suspicious to the arguments of DGIII for protecting industry from unfair trade practices. The 6th and 7th directives were the bottom line rather than the optimum for DGIV in the negotiations. DGIV saw the negotiations as a window of opportunity, not to export the Community protective regulations, but to obtain less protection for even European industry. Hence the optimal policy for DGIV was to have the minimum ceiling and to break up state aid schemes as soon as possible. DGIV was thus taking the opposite direction to that of DGIII in terms of policy preference. DGI, as already discussed, had to take a middle position and to fine tune between the two divergent negotiating strategies of DGIII and DGIV. However, under Sir Leon Brittan and later Van Den Broek, DGI had clear political instructions to promote an agreement closer to the position of DGIV. We should also bear in mind the general context of the euphoria created by the signature of the GATT agreement.

A key element in the dynamics of the negotiating process was that DGI, as the chief of the Commission delegation, had the privilege to leave the other DGs outside the negotiating room. The role of the Commission chief negotiator proved to determine the output of the negotiation. The chief negotiator of the Commission delegation was characterized by his colleagues as an ambitious diplomat whom, during the last stage of negotiations, in July 1995, it had been decided to appoint to the head of the EU delegation in Tokyo. The same members of the Commission delegation in the negotiations have argued that the chief of the delegation was particularly keen to

⁷² DGIV is one of the few DGs of the CEU, with a developed administrative culture, which gives consistency to its functioning and strengthens its relative independence from its political supervisors-

obtain the agreement on the basis of his high personal preference to start his career in Japan having obtained a satisfactory agreement for both Japan and the EU. Therefore, he was more inclined than the others in the delegation towards a compromise that was closer to the position of Japan and Korea.⁷³

Taking all these elements into account, bureaucratic politics occurred amongst the involved departments of the Commission, each of which strove to accommodate the policy preferences of their clients and to promote their own administrative targets. This explains the puzzle of the signed, but never implemented, OECD agreement on shipbuilding. It can be argued that this agreement came about because the Commission, through bureaucratic politics amongst its departments, had the compromise, and finally the agreement, as a policy preference when the rest of the players were neither in favor nor opposed to this position.

The more insight we have from the microcosm of the bureaucratic politics of the interservice consultation that took place in Brussels and Paris the more we understand the policy output of the negotiations. In Paris, the members of each DG were in continuous communication with their Cabinets and, in the case of DGIII, also with their industry-client. Each time the negotiation was arriving at a point where the DGI delegate had to, or felt he had to ask for new instructions, he left room for interservice consultation. Obviously, this process gave him considerable room for maneuver. It was at his discretion to decide when consultation was appropriate. Moreover, when an

Commissioners. The replacement of the Conservative Sir Leon Brittan with the socialist Karel Van Miert did not change the interpretive framework or the work program of DGIV.

agreement was reached, it was very unlikely that it would not to be accepted ex-post and for secondary reasons by the others in the delegation. An issue of secondary importance where this might be the case could be whether the ceiling in subsidies could be moved up or down by 1 %, or whether Spain was allowed to maintain the right to ratify the agreement in three instead of two years time. I have been told by members of the negotiating delegation who were not satisfied with the agreement, that this discretionary power and the room for maneuvers of the chief of the negotiations was the main factor responsible for the specific and, for them, unsatisfactory content of the agreement reached. What they said about the atmosphere just before the agreement is characteristic for the importance of the chief negotiator in the process:

"At the very final stage, just before the signing of the agreement by the negotiators, DGI chief of the delegation of the CEU in the negotiations, prohibited the other members of the delegation to contact their Cabinets in Brussels again, and in general to communicate with any others outside the delegation, until the signing of the agreement". (Off-the-record interview with DGIII functionary who participated in the process of the negotiation of the Agreement, 05/03/96).

Three years later, the OECD agreement on shipbuilding was ratified by all the member states and the other countries involved, despite of the misgivings of some of them. The only country which did not ratify the agreement is still the US. Due to this delay in the ratification process the agreement may never come into force. However, even in this event, this agreement will be the starting point for a new round of negotiations. Bureaucratic politics did not simply create new policy rhetoric, but a policy output with a major impact on the shipbuilding policy-making throughout the world market.

⁷³ Off-the-record interview with a DGIII functionary who participated in the process of the negotiation of the Agreement, 05/03//1996.

Conclusions

Overall, it can be argued that the theoretical approach of bureaucratic politics for the policy-making of the Community proposed with this dissertation provide a powerful analytical framework to disentangle the puzzle of policy innovations in the field of maritime industries at the Community level. The picture of policy instruments operating for Europe's maritime industries and regions since 1991 has changed remarkably. A number of new policy instruments and also policy players at the disposal of Europe's maritime world now operate at the EU level. Neither member states nor organized interests were the initiators of these policy changes. In this section, it has been demonstrated that this process of policy innovation should be perceived as a policy exercise, pro-active to the demands of economic and regional interests and having, as driving forces, Commissioner Martin Bangemann along with DGIII of the European Commission.

I showed that the predictions of the proposed analytical typology of the Community's policy-making fit well with the empirical findings. I observed that maritime issues show relatively low salience in domestic arenas while the Commission expresses a high interest in becoming involved in the field. The expectation for maritime policy-making is that it resembles bureaucratic politics. The proposed structure of this policy-making has been proved effective in providing a satisfactory understanding of the dynamics of maritime policy-making at the Community level. It has been demonstrated that the Commission has considerable room for maneuver in acting not only as policy coordinator, or broker of best practices, but also as a policy innovator. Politicized "Eurocrats" compete with each other to propose new policies and to

redefine the policy domain according to their strategies for maximizing their utility function. I examined in detail the dynamics of the above process at the micro-level.

In the first part of this case study, I examined, using the proposed analytical framework, the role of DGIII and its political boss Martin Bangemann in Community policy-making. I identified their policy motivation, their strategies used with regard to their policy clients and other potential policy suppliers as well as the policy output pursued. In turn, following the requirement of my research design to falsify, through encompassed case studies, my proposed theoretical hypotheses, I tested whether the above findings concerning the functioning of DGIII as policy innovator held for the cases of maritime industries policy-making. These cases which constitute the innovative activity of DGIII in the field, were the formation by DGIII of a European maritime identity for the various maritime industries, the battle over the definition of the terms of reference of the R&D Maritime Task Force, and the case of the OECD negotiations for eliminating protectionist policies in the shipbuilding industry.

Through the examination of the empirical findings concerning the operation of DGIII's pursuit of industrial policy in general and policy innovations for maritime industries in particular, it has been observed that the theoretical argument concerning the policy motivation of the Eurocrats holds. The interest of DGIII in policy innovation is grounded on concerns internal to the DG and on the collective strategies of its top-officials, who try to maximize their own utility by reshaping the competence of their DG. This does not mean, however, that the interest of DGIII to reshape its competence is not also influenced by the will of its political boss, Commissioner Bangemann. Bangemann's political agenda, which contains proposals for new

policies, is a separate source of bureau-shaping strategies by DGIII. However, what is clear in this case is that the aggressive tendencies of the top-officials of DGIII towards more prestigious portfolios are relatively independent from Bangemann's innovative political agenda. DGIII's high-ranked staff wants, in any case, to reshape its competence. The Commissioner intervenes to encourage or discourage the innovative attitude of his top-administrators according to his own policy strategies. Both sources of policy innovation, the collective strategies of DGIII's top officials to maximize their utility rewards, and the innovative political agenda of the Commissioner, are independent, with their own autonomy in functioning, but they are also closely interacting elements in the dynamics of the effort of the CEU to reshape its policy competence.

I identified Commissioner Bangemann as the first mover for policy innovations in the field of maritime industries. I demonstrated that Bangemann's motivations were in accord with the relative theoretical argument. According to this argument, the motivation of the Commissioners to embark upon policy innovation is directly linked to their personal career ambitions as politicians, and their ideological and political beliefs for the role of public authorities and is also influenced by the policy priorities of their national domestic agenda. I noted that Bangemann was an important political figure in German politics and in Community affairs. He was ex-economics minister, ex-leader of the German liberal party, vice-president of the Commission, and, since 1985 member of the Commission. He had a strong belief in an active role for the state in the economy, a position which he debated at the Community level with pro-free trade proponents such as Leon Brittan throughout the 80s and 90s. At the same time, he had very strong connections and with German industries, such as shipbuilding,

which were facing structural problems and were lobbying him to promote policies at the Community level to help them to improve their competitiveness. It was noted, however, that while Bangemann was motivated by German shipbuilders, he was not captured by them.

The theoretical argument concerning the motivation of the Commissioners to embark upon policy innovation hold, and may provide a convincing explanation as to why, the other two Commissioners involved in maritime policy-making, Neil Kinnock, and Edith Cresson, welcomed Bangemann's proposals and appeared active in promoting the policy innovations. The three Commissioners, Cresson for research, Bangemann for industry, and Kinnock for transport and trans-European networks, hold common policy beliefs in the role of public authorities in complementing the functioning of the market. They share the same view, that the market is an institution capable of doing some jobs, but not all of them. Hence, there is a need for other institutional settings, such as horizontal industrial policies, "clever" R&D policies etc., which complement the market in its allocative role of resources. This common ideological framework, and also the strongly ambitious personalities of these three Commissioners may explain the fact that, within the Santer Commission, these three Commissioners have been very active in promoting R&D and industrial policy instruments (fora, round tables, task forces etc). In this way, by forming a coalition in the college of the CEU, they have more bargaining power and leverage to succeed in winning majorities. Consequently, I argue that the above findings constitute a satisfactory explanadum of the motivation of the Commissioners for policy innovation.

Testing my theoretical hypotheses for the strategies of the top-officials of DGIII, who

act in a well developed structure of interaction between other administrative units and its policy clients and suppliers, I identified the interservice consultation between DGIII and the other administrative departments which also have a say in maritime industry issues as the hard core of what I define as bureaucratic politics. Interservice consultation appears to be the battleground where the policy-making most resembles the part of the model of bureaucratic politics where administrative units compete over their competencies. The competition amongst the DGs holds for all the cases of maritime policy-making that were examined. In the cases of the formation a European maritime identity and the maritime R&D task force, we see DGIII acting as an invader in the territory of other DGs, with the latter trying to keep this activity to the lowest possible level. In the case of the OECD negotiations for eliminating subsidies in shipbuilding, in the competition amongst the departments, the aggressor is DGI-external affairs, which tries to force DGIII-Industry and DGIV-competition to adopt a policy position according to its own administrative targets.

I traced a strategy of communication between DGIII and its policy clients, where two structures of external consultation co-exist: the formal two-stage communication and the informal and ad-hoc one. In both of these communication types, DGIII assumes a central, pro-active role in pursuing its policy and administrative objectives in that it tries to reshape the policy preferences of its policy clients. In the first stage of the formal two-stage consultation procedure, DGIII and the Cabinet attempt, through a closed brainstorming session amongst top-officials of the Bangemann's cabinet and the administration, to evaluate running policies and to search for improvements or for a policy change based upon inputs from within. In this way, they set up a first draft of policy ideas specified according to their own policy objectives and policy philosophy.

At the second stage, DGIII spreads the ideas and discusses them with other CEU officials, Commissioners, member states, industries, and experts. However, the agenda of the discussion is already set at the first stage and its hard-core ideas are open only to refinement and not to change.

The strategies employed by DGIII and Bangemann's Cabinet to carry out their policy-search, is that experts and the other elements of the consultation process have to act in the context of a policy framework of specified policy targets and criteria of policy evaluation pre-set by DGIII and the Commissioner. DGIII sets the policy agenda and draws up a blue-print of policy proposal and then embarks upon external interaction-consultation with industry's associations, or members of the scientific community. I observed that DGIII asks experts specific things. Its functionaries have an agenda before they starting talking to the "outside world", and they do not simply seek any kind of policy ideas that may bring them the reward of higher utilities. Their policy-search activity does not resemble a garbage can approach. On the contrary, there is a pre-fixed policy agenda for discussion, based on underlying factors, such as policy demands and the cost of policy adoption which have been assessed by the cabinet in advance. Although the external consultation process works as a channel for inputs and facts and figures for future policy formulation in this two-way communication process, the dominant direction is from DGIII to the world of experts and not vice-versa. However, it should be noticed at this point that the two-stage formal external consultation procedure was organized as such for analytical reasons, in order to help identify the element of invisible politics. This does not mean that industry and experts enter the process exclusively at the second stage. In fact, they are officially invited to discuss a policy agenda preset at the first stage, but they also participate unofficially

in the agenda formation at the first stage.

Overall it can be argued that the evidence at all the stages and concerning all types of communication between DGIII and its policy environment, corresponds most to what I define in the theoretical framework as invisible/informal politics, where industrialists, political actors and experts are involved in policy formation activity away from the public eye. This type of invisible politics is very present in the relationships between DGIII and its policy clients and suppliers. However, in no sense are these informal politics a bottom-up policy exercise, where experts and industrialists simply request their policy preference from the top-officials. It has been observed that both top-officials and the cabinet have their own relative independence as players, and they are not captured by industrial or other societal interests as corporatist and elite theories of EU policy-making would argue. These politicized bureaucrats hold their own policy preferences grounded on their own collective strategies to maximize their personal welfare.

Based on the examination of the policy outputs pursued by DGIII, one could conclude that the theoretical argument that politicized bureaucrats seek to reshape their policy competence by searching for new policies of a regulatory, or project management type holds over the argument that they seek budget maximizing instruments. In terms of budget size, the work program of DGIII for 1996 and 1997 had the same scope, or was, in some cases even reduced. As emerges from the management seminar in winter 1996, a budgetary increase is not the first priority of DGIII. Rather, its top priority is to increase the internal efficiency of the existing budget. The budget constraint, externally set by the member states, appears to push DGIII to make greater efforts to

expand the types of policy instruments described above, which are characterized by their non-budgetary form and their orientation towards building communication channels and disseminating information on a permanent institutionalized basis. The new policies address the problem of institutional failure rather than problems of financing concerning the functioning of industry. Since it cannot finance industry, DGIII tries to earn its role as project manager, information channel, policy coordinator and policy entrepreneur.

All the new policy instruments -- the maritime forum, the maritime information society, the R&D task force "Maritime Systems of the Future"-- introduced by DGIII in the domain of maritime industries are example of these policy types. The OECD agreement on state aid to shipbuilding could be added to the regulatory actions--the 6th and 7th directive on shipbuilding--already taken by the Commission in order to reduce market distortions and to promote fair competition for shipbuilding industry in the world market.

Overall, it can be argued that the policy output, concerning maritime industries, cannot be predicted by bureau-maximizing bureaucratic theories and theories of European public policy, which ignore the role of institutions with self-incentives to become involved in policy-making. However, it is a straightforward outcome, if the analysis is based on the theoretical approach of bureau-shaping bureaucratic politics proposed by this dissertation.

CHAPTER THREE: THE CASE OF TOURISM

The Puzzle in the Dynamics of the Community Tourism Policy

In March 1996, the "European Voice", a weekly review published in Brussels and covering the Union's activities dedicated an extensive article on the policy momentum for the Union to include tourism in its policies. This article, which appeared in the middle of the discussions for the future of the Union and some months before the Amsterdam conference for the revision of the Treaty of the EU, caused me to ask "why tourism a new common policy, who really was after such a policy innovation?"

Tourism was never a high profile policy arena in European policy-making. After carrying out the research for the present case study, I learned that this article was included in a series of publicity actions taken by the European Commission to increase the awareness of the Union to the needs and the future of European tourism. Commissioner Christos Papoutsis, who has tourism as part of his portfolio, promoted as a central target of his policy agenda the identification of tourism as a new European policy with its own title in the Treaty of the EU after its revision in Amsterdam in June 1996. Many member states have shown unwillingness to take this route, claiming that tourism is a policy domain with no supranational functional spillovers, and therefore ought to remain within the policy responsibility of member states. At the same time, the European tourism industry is basically absent from policy-making in Brussels. This can be attributed to the fragmented structure of the industry, dominated as it is by small and medium size enterprises, unable to organize their collective action in an efficient way. Only the big transnational tour-operators who had enjoyed a relatively unregulated business environment throughout the 1970s,

felt the threat of a high regulation burden, due to the popular consumer and environmental protection trends of the 1980s. In the 1980s, they started arguing for the maintenance of the lowest possible regulatory burden on the business. However, these voices never became a call for the Community to embark upon concerted policy activity for tourism. On the contrary, the call was for the supervision of the member states in order to keep regulation at the lowest possible level.

The reason which drove me to select tourism as a case-study is the puzzle of the continuous effort on the part of the Commission throughout the 1980s and 1990s to set up a Community driven policy for tourism, and this despite the low interest of member states and of the tourism industry itself and the support of an under-staffed administration, with no history, whose image was seriously damaged in the mid-1990s due to allegations of fraud. It is a case that represents a completely opposite situation to that of the maritime industries, where we are dealing with vested interests which enjoy good relations with an administration with a long history. According to the research design of this dissertation, the choice of this case study as a comparison with the case of maritime industries is made in order to give us the opportunity to have variation in the independent-explanatory variable. In this way, testing the validity of the analytical framework and falsifying the theoretical hypotheses under opposite conditions, I can arrive with greater confidence at the conclusion that the proposed theory has a more general applicability for understanding the phenomenon of policy innovation pursued by the Commission's top-officials.

Following the proposed analytical framework, the efforts made by the Commission

for policy innovation in the field of tourism at the Community level throughout the 1980s and 1990s correspond to the dependent variable of the model. Reducing the time length of the variable, I focus on the period of Commissioner Papoutsis' administration. This would appear to be the most puzzling period, since it is characterized by the most intense and consistent effort for policy innovation under the most adverse policy conditions. The aim of this case study is to understand the dynamics of this innovative activity on the part of the Commission.

The independent-explanatory variable in my theoretical model is the pattern of interaction between the various involved administrative departments and their policy clients and external suppliers. In the case of tourism, this structure consists of:

- The various societal actors operating in tourism policy domain at both domestic and Community level, namely the tourism industry interests, the tourist consumer interests, and the environmental and cultural heritage interests.
- The position of the Commission's top officials involved in tourism matters.

According to the proposed analytical framework, the analysis is organized on two levels: the state or domestic level, and the supranational or Community level. Following this analytical structure, I first present policy-making in the state arena and then examine policy-making at the Community level. Based on the interaction of the above micro-actors I map the policy positions of the member states with the policy preferences of their various public authorities which appear to have a say in tourism affairs. Through the examination of the policy configuration in the domestic arena, I ascertain whether tourism issues are of high or low salience and whether there is a

policy failure or a challenge to tackle tourism problems at the state level. In this way I can see whether the theoretical arguments that under low saliency for the policy issue at stake and high interest from the side of the Commission, bureaucratic politics are dominant in Community policy-making, and that a policy failure at the state level constitutes a window of opportunity for the Commission to embark upon policy innovation in the field.

According to the typology for the policy-making of the Community proposed in this dissertation, since tourism issues show low salience in the domestic arena and the Commission expresses high interest to become involved in the field, it is expected that tourism policy-making resembles bureaucratic politics. In this structure, the Commission has considerable room for maneuver, acting as policy coordinator, or broker of best practices, but also as policy innovator.

In the first section of this chapter I provide the historical tracking of the efforts for policy innovation in the field of tourism throughout the 80s and 90s. In this way, we have a full presentation of the dependent variable and of the string of innovative efforts made by the Commission in the field of tourism. I then focus on Papoutsis' period in order to understand the dynamics of functioning. I do this because the efforts and achievements of Papoutsis' predecessors constitute the starting point of his own effort. The historical tracking thus helps us to understand the extent to which the dynamics of policy innovation inherited by the Papoutsis' administration contributed to his strategy for policy innovation in the field. According to my analytical framework, the period before that under examination corresponds to the prior-history

and will therefore be analyzed since it allows us to understand whether the administrative tradition and the policies of the Commission with regard to tourism were pro-innovatory.

In the second section of this chapter, I present the explanandum of the dynamics of the policy innovation activity observed in the period of Papoutsis' administration. As I show in the first section, Commissioner Papoutsis and his cabinet act as policy innovators in the field. I examine the strategy they followed with respect to the other players involved such as other administrative units of the Commission, the various tourism-related interests and the state authorities. More specifically, I examine the motivations of the initiators, the strategies adopted towards their policy clients and other policy suppliers, and the policy output pursued and achieved. In this way, I test my theoretical hypotheses and arguments about the role of the Commission's top-officials as policy innovators against the empirical findings.

Let us consider the case of the Community's policy on tourism from its origins at the beginning of the 1980s.

The Historical Tracking of the Policy Initiatives and the Instruments Used by the Commission in Shaping the Tourism Policy Domain

Since the beginning of the 80s, the Commission has been searching for political legitimacy in order to introduce a Community driven policy on tourism. The first attempt was made in 1982 with the issuing of a Communication to the Council with

the title "Initial guidelines for a Community policy on Tourism".⁷⁴ With this policy proposal, the Commission made the first systematic attempt to convince the Council to adopt such a policy. The Commission presented as an underlying factor for such an initiative its own observation that tourist activity in the Community shows an "extraordinary expansion" and that there is a growing inter-relationship between tourism and a large number of Community activities.⁷⁵ Attached to this policy proposal was a detailed study, carried out by external experts, examining the current trends in tourism in Europe; according to the proposal these trends made it necessary for the Community to take policy actions at the supranational level. The experts served to provide scientific legitimacy to a decision already taken by the Commission to pursue such a policy.

The communication was prepared under the supervision of the Greek Commissioner Georgios Kondogeorgis. Kondogeorgis took the initiative to work more systematically in the field of the tourism industry by acting as a promoter of a series of policies that would have a positive impact on his own country. It should not be forgotten that in the early 80s, well before the Euroforia at the end of this decade, European Community policy-making most resembled a form of stagnant intergovernmental bargaining in which member states tried to translate their narrow national interests into Community driven policies. The main player in the European decision-making process was the Council. The Commission was a relatively weak institution in terms of policy leverage with supranational orientation, and, while the

⁷⁴ See Commission of the European Communities, "Initial Guidelines for a Community Policy on Tourism", *Bulletin of the European Communities, Supplement 4/82*, Brussels, April 1982.

European Parliament had been recently elected directly by the citizens of the member states, it still had only limited power from the Treaty of Rome.

The early 80s saw the process of enlargement of the Community, with the new members--Greece, Spain and Portugal--moving the borders of the Community to encompass the less developed South. Greece joined the Community in 1980. In 1981, the newly elected socialist government under A. Papandreou had a strong national agenda that proposed the re-negotiation of the terms under which Greece joined the Community, and asked for redistributive policies in favor of Greece and the less developed southern European countries. This was the period in which Spain and Portugal also with newly elected socialist government in office were waiting to obtain membership of the European Community. The central position of these three governments with respect to the coming enlargement was that strong re-distributional policies were needed in order to reduce the gap in growth rates between the rich north and the less developed south.

Tourism was always at the top of the economic policy agenda of Greece, due to the fact that this sector, together with shipping, made the most important contribution of foreign currency to the balance of payments and was also crucial for the employment. Within this policy environment, the Greek commissioner, with the political supervision of the Greek government, took up the cause of tourism and initiated a discussion over the need for the Community to take action at the European level to

⁷⁵ Ibid.: 5

boost the tourism industry.

In Athens in November of 1983, under the first Greek presidency, an informal Council of ministers of tourism was held for the first time in the history of the Community. The Council discussed the Communication on tourism and asked the Commission for further consideration:

"A broad measure of agreement emerged on the need for a Community approach to certain questions, notably free movement of persons, staggered holidays, social tourism, safeguarding the architectural heritage, harmonization of statistics and the use of data processing" (Bull. EC11-1983, point 2.1.8: 17)

This was the initiation of a regular consultation process over tourism among the Commission, the newly elected European Parliament, the Council and the Social and Economic Committee that continued throughout the decade.

In April 1984, the Council, under the presidency of Francois Mitterand, adopted a resolution on a Community policy on tourism along the lines of the Commission's communication of 1983. This resolution emphasized that:

"tourism is an important activity for the integration of Europe ...tourism affects or is affected by many of the Community's activities...the coordination of Community's activities relating to tourism and consultation between member states and the Commission may facilitate tourism in the Community" (Bull. EC 4-1984, point 2.1.9: 21)

The Council also stressed the need for a tourism dimension in the decision-making of the Community and invited the Commission to present specific policy proposals along the guidelines laid down by the earlier communication.

In January 1986, the new Commission and the Italian Commissioner for Tourism, Rippa di Meana, who also came from a country where tourism is one the most important industries, repeated the same arguments and stressed the need to adopt policy actions for tourism at the Community level. To achieve this, di Meana issued another communication to the Council with the title "Community Action in the Field of Tourism"⁷⁶. This was right after the initiation of the Single European Act, and the internal market program was therefore having a strong impact on the tourism business across the Community. Within the policy environment of Euroforia, the EP and the Economic and Social Committee--responding to the Communication of the Commission--called the Council to adopt a specific action plan in the area of tourism.

In December 1986, the Council⁷⁷ adopted the suggestions made by the Commission, with the most important element being the approval of the setting up of a permanent consultative committee on tourism. This committee was named the "Tourism Advisory Committee", and had a chairman from the Commission, while its members were the member states. The committee's task was to discuss decisions taken at the national level which might affect other States or which might be of common interest for tourism. This committee became a permanent institutionalized Community forum for discussion and exchange of information amongst the member states, with regular meetings about three times a year.⁷⁸ This was the first institution at the disposal of the Community that allowed it to work to shape a common consciousness for tourism

⁷⁶ See *Bulletin of the European Communities, Supplement 4/86*.

⁷⁷ *Bulletin of the European Communities 12-1986*, point 2.1.160, Council decision 86/664/EEC, Dec. 1986.

matters amongst all the players involved at the European level.

In December 1986, the Commission also took, for the first time, the initiative to publish an advertisement in the United States for the Europe of twelve as a tourist destination.

"A large illustrated advertisement entitled "there is no place like Europe" appeared in several prominent American newspapers on Sunday, 7 December with the Community emblem and the addresses of the member states tourist offices in the US" (Bull. EC-12-1986, point 2.161: 74)

The window of opportunity for the Commission was the dramatic drop of American tourists in Europe in the wake of the Chernobyl accident, some terrorist actions against American targets in Europe and the substantial fall of the value of dollar. The tourist authorities of the member states were therefore seeking ways in which to assist the European tourism industry. The Commission appeared ready to participate in the game with a series of policy proposals, as well as through the advertising campaign. This policy venture was a strong symbolic statement that the tourism business may be a Community issue as well as a national one.

One year later, in January 1988, the European Parliament adopted a resolution intended to remind the Community of the need to step up measures for tourism at the supranational level. This was not only for the protection of the consumer tourist, the environment and the natural and cultural heritage, but also "as a way of contributing

⁷⁸ See Tourism and the European Union, Directorate General XXIII, web page The European Community's involvement in Tourism, Brussels, Feb. 1999

to the economic development of many parts of Europe." (Bull.EC 1-1988: 54). From that point on, the European Parliament and the Economic and Social Committee bought into the idea of a Community policy on tourism and became enthusiastic proponents by issuing at least once yearly, at its own initiative, a resolution calling the Council and the Commission to work in this direction.

In October of 1988, the Commission, at the general suggestion of the resolution of the Parliament, sent the Council a proposal with a specific action plan to support European tourism that involved designating 1990 as "European Tourism Year".⁷⁹ In this way, the Commission tried to take advantage of the bonanza of the internal market program. Its main argument for promoting policy measures at the Community level was that tourism might be used as an integrating force for the creation of a Community without internal frontiers, where the people of Europe might get to know each other better.

In December 1988, within this positive environment for the promotion of the internal market program, the Council once again, under the presidency of Greece, adopted the proposal of the Commission to designate 1990, as the year of European tourism and allocated 5 million ECU for the proposed action plan.⁸⁰ The plan proposed by the Commission included measures for the following: to improve the knowledge of Community citizens of cultures and lifestyles in the other member states, to encourage the staggering of holidays, to help the development of new tourist destinations and

⁷⁹ COM(88)413 final.

new forms of tourism within Europe, to facilitate the movement of travellers, and to promote tourism from countries beyond the community. This was the first European action plan for tourism. In order to carry out this task and manage the allocated budget, the Commission set up a specific administrative unit for tourism with a small staff under the Directorate-General XXIII.

By the end of the 80s, the Community had gradually moved towards a more active role in the field of tourism, with the Commission playing the policy innovator. New institutions had been established, including such as the advisory committee and the regular meetings of the Tourism Council, the administrative tourism unit, and an action plan with a specific budget. The European Parliament and the Economic and Social Committee had been sensibilized to the positive aspects of the Commission's proposals and the success of their own initiatives to promote tourism matters at the Community level. By the end of the decade, the basic institutional framework for a European policy on tourism has been established.

Since 1988, with the active support of the Parliament and the Social and Economic Committee, the Commission has been running an intense consultation procedure between the Community's ministers for tourism and the Commission itself. Through regular meetings, the Commission exchanges information on tourism matters and discusses a long run approach to Community action in that field. The successor to di Meana, the Italian Commissioner, in the second Delors Commission from 1989 until

⁸⁰ Council decision 89/46/EEC, OJ No L17, 21.1.89: 53

1993 was the Portuguese Antonio Cardoso e Cunha, he too came from a country where tourism makes a major contribution to its GNP. With a strong motivation to promote tourism, in November 1990 Cunha introduced to the Council of tourism ministers, under the Italian presidency, the idea to extend the European Tourism Year to a multi-annual action plan. The Council appeared skeptical on the possibility for the Community to adopt such a policy.⁸¹ Many delegations tried to balance the favorable atmosphere for the program by mentioning that in any case the Community walking along the road of common actions in the area of tourism should take into account the principle of subsidiarity. However, they did not block the proposal and they issued a resolution with which the ministers for tourism ask the Commission to put forward guidelines for a specific multi-annual action program in this field.⁸²

In the meantime, the Commission had initiated certain low-profile projects such as a multi-annual program for developing Community tourism statistics that involved harmonizing the various national systems of keeping and publishing data concerning the tourism industry in order to create a European system.⁸³ In this way, national industries would start using a common code which might promote a common identity for themselves. Another project to promote innovative forms of tourism such as rural tourism⁸⁴ could recognize Brussels as a potentially useful new policy center for the industry. In the context of European Tourism Year, the Commission approved a total

⁸¹ For the content of the discussion of the meeting see the press release of the Council of the EC (1990).

⁸² See COM(91) 97 final, April.1991: 1.

⁸³ COM(90) 211, June 1990.

⁸⁴ COM(90) 438, September. 1990.

of 275 projects.⁸⁵ The measures involved were mainly seminars, workshops, fairs, exhibitions, public relations events and competitions aimed at creating a common "European Tourism" identity for the various involved players in tourism matters across the Community. During the organization the European Tourism Year in 1990, the Commission initiated many demonstration projects with this scope. However, the progress and the results of the action plan were not satisfactory, so much so that, at the end of the year, the European Parliament was complaining for the output of the plan. With a tough resolution,⁸⁶ the Parliament stressed that the activities should be continued in 1991 with better organization and the allocation of more resources.

Having the backing continuous of the European Parliament, and the Economic and the Social Committee, as well as the mandate given by the Council through the November 1990 resolution, the Commission became more aggressive in demanding more competence in tourism. In March 1991, the CEU adopted the communication "Community Action Plan to Assist Tourism".⁸⁷ This was a multi-annual plan offering practical measures in the field of tourism. These measures were to be taken by the Community along with the policy guidelines of the "Tourism Year 1990" program, and in addition to, and in connection with, those implemented under the framework of the "European Tourism Year 1990".

⁸⁵ See the main points of the third report on the progress of European Year Tourism submitted by the Commission to the Council-Tourism on 29/11/1990 as they are presented in the press release of the Council of the EC (1990): 5.

⁸⁶ See European Parliament (1990)

⁸⁷ See COM (91)97 final.

Finally, in June 1992, the Council⁸⁸ under the presidency of Portugal accepted the proposal made by the Commission and adopted a three-year action plan to promote tourism in the Community. It did not finance infrastructure related to the tourism industry (which is covered by the structural funds.), but decided to support measures taken at the European level that were in line with those taken for the European Tourism Year and the policy guidelines issued by the Commission in the 80s. The aims were to help policymakers to develop a common and a better view by improving knowledge of the industry through studies and other related measures, to improve the information available to, and the protection of, tourists as consumers, to promote new forms of tourism such a rural, cultural and social tourism, increasing the scope of the market, and to promote Europe as a destination particularly in the US and Japan. The budget approved for the implementation of the plan was estimated at ECU 18 million annually from January 1993 close to the level of the budget for the European Tourism Year.

With the completion of the internal market program in 1991, a series of discussions took place in order to evaluate the results of the program and the possibilities of new initiatives to boost European integration. The intergovernmental conference in Maastricht had as its agenda the revision of the Treaty of Rome, incorporating the results of the above consultation process for a more integrated Community. Within this positive environment for policies which would further promote the integration

⁸⁸ See Council of the EC (1992)

process, the Commission--with the strong support of the European Parliament⁸⁹ and the Economic and Social Committee⁹⁰--proposed that tourism should be included as a policy area of common concern in the revised Treaty.

The output of this consultation procedure, in which the EP, ESC and some of the member states with strong tourism sector were pushing for a common policy on tourism, was a partial success. The Treaty of Maastricht, signed in February 1992, acknowledged that the European Union should include measures in the field of tourism under the conditions and the timetable set out in Article 3t. For the first time in its history, the Community was explicitly provided with the legal base to take actions in the area of tourism. The success was partial, because the Treaty did not enter into the same degree of detail in policy objectives and implementation procedures as it did in other cases such as culture (Article 128) or consumer protection (Article 129A). The Council had to act under unanimity. Article 3t was the outcome of a very delicate compromise based on different and divergent policy preferences of the member states.⁹¹ However, this article assigned the Union a specific timetable and procedure within which the member states together with the Commission had to examine the question of introducing a specific title for tourism. This would include further provisions in the revised Treaty of the EU in the intergovernmental conference in 1996. The representatives of the member states had

⁸⁹ In June 1991, the EP, with the resolution OJC 183, 15.7.91 suggested that tourism should be included in the Treaty as "a flanking policy of fundamental importance", European Parliament (1991).

⁹⁰ The Economic and Social Committee responding to the proposal made by the Commission for an action plan to assist tourism took the view that "tourism should be given a fully fledged policy an that it should be included in the Treaty", Economic and Social Committee (1991).

⁹¹ See green paper, "The Role of the Union in the Field of Tourism" COM(95)97 final: 3

to decide on the basis of a report which the Commission had to submit to the Council.

It is this window of opportunity in the process of the revision of the Treaty that was used by Commissioner Papoutsis in order to organize a systematic and intense dialogue, starting with a green paper in 1995, amongst the players involved in tourism affairs throughout the Community. His aim was to increase the competence of the Union in the field.

Papoutsis' innovative strategy was twofold and of a piece-meal nature. He tried first to improve the legal base for tourism actions at the European level by incorporating in the Treaty of the Union a specific title for tourism where decisions would be taken under qualified majority voting as happens for other policy areas. At the same time, he tried to exploit the existing legal framework and the "acqui-communitair" obtained by his predecessors as much as he could. Based on the experience of the Action Plan of 1993-5, he tried to replace this plan not with another action plan, but with a comprehensive multi-annual program with specific policy objectives. He proposed "philoxenia",⁹² a four-year (1997-2000) program with four objectives:

- To improve the legislative and financial environment for tourism by strengthening the cooperation amongst member states, the Commission, industry, and other players involved such as associations of tourism chambers.
- To promote forms of tourism which are characterized by sustainable and balanced modes of growth.

- To increase the number of visitors from third countries.
- To give the opportunity to all Community policies which influence tourism to take this sector into account by providing data and information sources which make it easier to assess the impact on tourism of various Community measures.

With this proposal the Commission was aiming to build a coherent reference framework for policy priorities and alternative solutions to tourism related problems for both public authorities and the industry. In this way, the Commission would promote in practice a common policy on tourism by making all the players involved work in cooperation on common priorities on a problem-solving basis. The Commission was thus trying to legitimize its role by providing a policy framework which enhances the effectiveness and positive impact of all other Community and state-run policy schemes related to the sector.

None of the targets pursued by Papoutsis were achieved. The Council did not approve the policy proposals, however, after all this intense and sustained effort for five years, tourism had managed to gain a higher position in the policy agenda of the member states. Moreover, the tourism industry started identifying itself with a European dimension. At the same time, the tourism unit, which had previously been held in low esteem within the structure of the Commission, managed to transform itself without increasing its staff but by restructuring its organization. It became an autonomous direction in Directorate-General XXIII, and gained in status in the eyes of both the tourism industry and, via the inter-consultation process, the other departments of the

⁹² See COM(96)168 final.

Commission. The new tourism direction was thus entitled to have a say in other policies which had a tourism related dimension.

Looking at the historical tracking of tourism policy-making of at the Community level we can conclude that innovation was the favored policy of the Commission. At first glance, this may be attributed to the fact that all the commissioners in charge come from southern European countries with strong interests in the tourism industry. However, throughout the 80s this effort was fragmented and was never pursued through a strategy of continuous and concerted actions. Before Papoutsis, the commissioners in charge of tourism did not pursue a Community policy in a systematic way. However, they managed to introduce tourism onto the negotiating agenda of the member states as a policy area which might come to be of common concern. With the adoption of the revised Maastricht Treaty, a specific timetable was set within which the Council had to decide on the type of involvement the Community would have in this field. This was the window of opportunity for Papoutsis to initiate his efforts for policy innovation in tourism by launching a high profile strategy, and a series of continuous and intense consultation procedures and policy initiatives. In addition to article 3t of the Maastricht Treaty, Papoutsis' predecessors managed to launch at the Community level a three-year action plan, from 1993-5, of an experimental and demonstrative character. In order to assist tourism they obtained a small budget of 10 Million ECU per year for the plan and a small administrative unit to implement it. By 1995, the final year of the plan, and just before Papoutsis took office in Brussels, this unit was seriously undermined by allegations of fraud and mismanagement of the resources. It was with this inheritance, and a mix of degrees of freedom and policy constraints, that Papoutsis started his

innovative policy in the field. Let us continue in our examination of the dynamics of this process in order to obtain a better understanding of the positions and the roles of the various actors involved.

The Dynamics of Policy-Making Concerning Tourism at the EU level

National Policies on Tourism, the Policy Preferences of the Tourism Industry, and the Challenge for a European policy on Tourism. The Commission Searches for a Window of Opportunity for a New Policy at the European Level

Theories of liberal intergovernmentalism may explain the failure of the Southern European member states to promote a common policy on tourism, but they cannot explain the twenty years of continuous activity in the field on the part of the Commission, and, to a lesser extent, on the part of the European Parliament and the Economic and Social Committee. We can observe a slow but persistent building up, not only of institutions with a specific policy agenda, but also of a common language of communication and of an identity shared by the whole spectrum of the players involved in European tourism affairs.

The role of the Commission in this process is central. It should be noted that throughout this period the commissioners in charge of tourism matters were from the southern member states, where tourism is an important economic sector. As a result, all these commissioners took to Brussels a positive bias for tourism matters. They had the prior belief that, working for tourism at the Community level, any additional budgetary or non-budgetary action complementary to national policies would provide significant benefits to the member states from which they came. At the same time, the

tourism industry itself did not appear to lobby these commissioners to take such actions. The member states appeared divided on whether tourism should be treated as a policy domain with a strong supranational dimension. Indeed, the majority of the member states had not rated tourism high on their shopping list when they searched in Brussels for complementary policy instruments to tackle their domestic problems. Tourism seemed to be regarded as more of a domestic affair for the member states which are tourism senders. On the other hand, the member states which are tourism receivers and where tourism industry makes a major contribution to their economies, started voicing opinions in favor of a European policy concerning tourism from the mid-80s. However, these opinions never made tourism a top priority in their negotiating agenda.

Against this policy preference background, where there were no strong national or economic interests behind the innovative activity of the commissioners concerning tourism affairs, the effort made by Papoutsis' administration in Brussels appears to be particularly puzzling. What was the motivation of the policy entrepreneur to embark upon a policy innovation activity? After all, his administration was operating within the most negative policy environment for policy innovation in European tourism affairs. At this time, European policy on tourism was synonymous with corruption. Despite all this, Papoutsis proved to be the most active commissioner in pursuing policy innovation for tourism matters at the Community level.

Papoutsis took office in 1995, succeeding the Italian Raniero Vanni d' Archirafi, who had replaced Chuna in 1993. This period of time was a particularly difficult one for

the tourism unit of Directorate-General XXIII which was in charge of the implementation of the multi-annual program 1993-5. The unit was accused of misuse of the program budget and bribery, and tales of alleged fraud and bribery within the unit's ranks hit newspapers in 1995.⁹³ Two senior Commission officials were dismissed and the Belgian police and justice were called in. This was therefore a period in which tourism was in extreme disrepute in Brussels.

Given this negative environment for tourism, it is hard to believe that Papoutsis decided to initiate, with the green paper, a comprehensive and long-term strategy to increase the competence of the Union in tourism affairs. Without strong industrial interests behind him, and with most of the member states indifferent to, if not openly against, and with this administration which had had its image so seriously damaged, he embarked upon a process of policy innovation which seemed doomed to fail from the outset. It is on this policy initiative that I will concentrate my research. I will examine the way in which a policy innovation process "behaves" when there is no strong interest support and it is not backed by an administration with a long history and a well-established position amongst the various players involved, as was the case for the maritime industries. Here, the driving force of policy innovation appears to be solely the Commissioner and his cabinet staff.

⁹³ For an extended presentation of the accusations see "the first report on allegations regarding fraud, mismanagement and nepotism in the European Commission" produced by the Committee of Independent Experts set up in February 1999 by the Commission after the suggestion of the European Parliament to examine several cases of fraud within the Commission, Brussels, 15/03/99. European Parliament/ Committee of Independent Experts (1999).

The Window of Opportunity for Commissioner Papoutsis to Pursue Policy Innovations in the Field of Tourism

In the 1990s, the tourism industry faced a significant shift upwards on the demand side. This decade was characterized by a boom in travelling, and an explosion in the number of tourists. Reasons for this development were more free time for the population of the industrialized countries, aging population structures, shorter working hours, the widespread existence of paid leave, an increasing level of education and the reduction of the cost of travel due to the liberalization of air and rail transport services.⁹⁴ More specifically, the demand side of European tourism also received a boost because of the setting up of the internal market, the materialization of the Single Act, and the introduction of EURO. This shift in the demand for tourism services was also accompanied by changes in the tastes of tourists. We can note a shift from forms of mass tourism to less impersonal services with specific themes such as rural, sport and conference tourism. These developments on the demand side led to a rearrangement of the world market shares. According to trends published by the Commission⁹⁵ and presented in the green paper for tourism, the European tourism industry showed difficulties coping with these changes and began to lose its share of the world market at the benefit of other destinations outside Europe. This happened despite the boost received by intra-Europe tourism from the abolition of cross-border controls and the promotion of the trans-European transport and communication networks:

"All the economic analyses confirm that Europe remains the main driving force

⁹⁴ For a fuller presentation of the travel trends in the 1990s see the green paper on tourism and also the European Commission publication "Tourism in Europe", DGXXIII-Eurostat, 1995.

behind international tourism in terms of arrivals, revenue and flows to non-Community countries. Nevertheless, the loss of market share (approximately 11% between 1970 to 1994 in terms of arrivals and 14% in terms of receipts) to the emerging destinations in Eastern Asia and the Pacific illustrates the capacity of these countries to respond to the requirements of the growing demand for tourism in the world market which is now open to more competitors." (Green Paper on the Role of the Union on Tourism, 1995:5)

From the early 90s, this loss in market share led some from the side of industry, as already mentioned, to start asking state authorities and Community institutions for additional measures to help them adjust to these new circumstances. The Commission used this fashionable argument from the 1980s, which, in the opinion of many commentators led to the adoption of the internal market program, as a window of opportunity to propose that the Community needed to do something to promote its position in the world market, since it was losing its position to the new, aggressive challengers from the Far East. The Communication of 1991 with which Commissioner Chuna managed to convince the Council to adopt the first action plan to assist tourism used this type of argument in the following form:

"Europe as a whole is steadily losing world market share...the resulting problems require specific solutions which can longer be confined within a regional framework" (COM(91) 97 final, Brussels, 1991: 3)

However, this argument for legitimizing large scale policy innovation at the Community level and encouraging the introduction of a coherent policy, did not appear convincing, especially by the mid-90s, by which time it was beginning to look out of date. Moreover, most of the above adjustments were pursued within the

⁹⁵ Ibid.

competence of the member states, which were active in the field, while the Commission assigned itself only a limited role in the Action Plan for 1993-5. In the green paper, Papoutsis, the new Commissioner recognized the complementarity and, indeed, limited scope of the Community measures undertaken so far:

"...as a number of experts suggests, the attention paid to tourism in Community policy-making assumes greater importance. The measures undertaken by the Community...have been implemented taking full account of existing national measures. The member states are taking steps to stimulate tourism...A broad range of measures is involved.... reflecting the volatile nature of tourism and the way supply can adapt considerably to meet demand." (Ibid.:12)

In the green paper, Papoutsis did, in fact, repeat the same arguments for adjustments that the tourism industry had to make due to changes on the demand side of tourism market on which the Community has a role, but he also tried to broaden the basis for the legitimacy of such a role by connecting it to changes in the regulatory framework of business which had to be carried out at the supranational level.

These policy challenges to the regulatory framework were identified by the Commission as windows of opportunity to embark upon policy innovations in the case of tourism. They were related to a policy failure at the state level to cope with the need for new regulations on taxation and cross-border control, and on consumer and natural heritage protection due to the new conditions created by the Single European Act and the introduction of the EURO. In the wake of these changes, tourism was more than ever a cross-border activity. This need for regulation could be tackled by a minimum coordination of national policies at the Community level. These challenges could be met by the Community through measures of minimum intervention of

basically a regulatory and non-budgetary nature under legal provisions then current in the Treaty of Maastricht for Tourism (Article 3t).

This policy possibility, which would lead to a minimum role for the Union in the field of tourism, led the new Commissioner to consider the possibility that innovative strategy need not be linked exclusively to the policy failure of the member states to tackle regulatory tasks in the field of tourism. In addition to these challenges, the Commission, in the first section of the green paper on tourism, claimed that there were also central Union objectives, decided unanimously by the member states, which might be served if the Community decided to follow a comprehensive policy for tourism. Specifically, it was the objectives of the creation of a European identity, the fight against unemployment and the reinforcement of economic and social cohesion in the Union that might be promoted by taking concerted actions at the Community level to promote tourism.

In the revised Maastricht Treaty of the Union, the member states, in order to better serve the interests of the people of the Union, decided to establish the concept of citizenship of the Union alongside national citizenship. The content of this citizenship is defined by a number of rights which the Union and its institutions and policies have to satisfy. These common rights, which any citizen of a member state obtains at the Union level, makes him or her to identify themselves as part of a broad community of people with common rights and policy objectives. One of the most important rights is that of moving and traveling freely within the territory of the member states of the Union (Article 8a). The more the citizens of the member states travel, the more they

exercise their Unions rights, the more they get to know the preferences of each other for private and public goods, and so develop common or convergent tastes for goods and policies. In this way the volume of intra-trade within the internal market will rise, and the possibility to agree on problems which should be tackled with common policy actions will also increase, as will the possibility of solving these problems. As the Commission argues:

"tourism can be a means of reducing the differences between the multifarious realities which constitute the Union, and by a continuous process of these differences being perceived in a non-confrontational context, can facilitate communication amongst citizens, and thus improve the basis on which exchanges, both cultural and economic, are made between the member states" (COM(95)97final: 16).

Through complementary actions to those of the member states, the Community could increase the volume of travelers within its borders and promote in this way the construction of a European identity for its citizens.

Articles 130a and 130b of the Treaty of the Union clearly state the direction of the Community's actions to promote economic and social cohesion for the regions of the Union, which are characterized by large differences in their levels of development. A series of common policies and budgetary instruments such as the structural funds have been allocated to the Community level in order to help the less-developed regions to catch up. The Commission argues that, with the active support through a number of resolutions and opinions of the Parliament and the Committee of the

Regions,⁹⁶ the Community practice has, so far, demonstrated that:

"tourism can assist in bringing about a better distribution of activities and jobs in the Union...by diversifying tourism on the supply side...it has been possible to enlarge the range of services to cover activities described as cultural or rural...The result has been to make tourism an alternative source, or even a prime source of economic activity in rundown areas..." (Ibid.: 13)

To date, tourism has realized its potential to affect the development of the regions of Union; and at the same time it too is affected by this development. The need to develop areas that are in decline or are under-developed areas through rural or other forms of tourism, has often led to misuse of the environment, the natural and cultural heritage of these areas. According to the Commission, this constitutes a policy failure which has to be remedied by a new style of policy formation at all levels of governance:

"tourism in the Union could from now on be planned and implemented on principles of sustainable development" (Ibid.: 14)

It was to meet these objectives of the Union that the Commission proposed a higher profile policy for tourism at the Community level. This policy was to complement, where necessary, the existing national policies, but mainly it was to promote the objectives of the Union as outlined above. The policy proposals did not, however, include more budgetary instruments dedicated to tourism in the hands of the Community. Rather, they constituted a complete policy program, with clearly defined policy objectives and formal policy-making procedures with which the member states, together with the Community institutions, should align themselves while making use

⁹⁶ Committee of the Regions (1995).

of the already existing policy resources.

From the above analysis, we can conclude that the underlying factors which were recognized by Commissioner Papoutsis as windows of opportunity for the pursuit of policy innovations for tourism at the Community level were twofold: First, there were a number of reasons which may be attributed to structural changes in the demand and supply side of tourism industry. The tourism industry's adjustment to these changes was to be supported by a Community-driven policy which would act in a complementary way to national policies. The latter also had to be reorganized and assume a part of the burden. The second set of reasons for which a Union-driven policy for tourism was to be established was to do with the possible use of tourism as an efficient instrument by the Union to promote the broader common objectives set by the revised Treaty of the Union in Maastricht in 1992. These latter reasons justified a more interventionist role to the Commission than the former. I observe that my hypothesis stated at the macro-level, that a policy failure at the state level constitutes a window of opportunity for the Commission to embark upon policy innovation in the field, holds as a necessary condition. However, I could argue that, in the case of tourism, in order to promote policy changes in the field Commissioner Papoutsis expanded the definition of policy challenge beyond the borders of the policy failure of existing national and Community policies to tackle structural changes in the policy domain. He incorporated in the concept of policy challenge a positive dimension, namely that policy change was needed to serve new policy objectives set by the states.

It should be noted that what is defined by the Commission as challenges for policy innovation at the Community level is not necessarily perceived in this way by the others involved in tourism policy-making. As I will discuss in the next section, the Commission embarked upon a piecemeal and top-down policy strategy to convince the member states, the industry and the other parties interested in tourism affairs that the above reasons were motives for a Community-driven policy.

According to the typology of Community policy-making proposed in this dissertation, since tourism issues show low salience in the domestic arenas and the Commission expresses a high interest to become involved in the field, it is expected that tourism policy-making should resemble bureaucratic politics. In this structure, the Commission has a large amount of room for maneuver, acting not only as policy coordinator, or broker of best practices, but also as policy innovator.

In the following sections I examine in more detail this process whereby the Commission seeks to obtain for itself the roles of policy coordinator of all national and Community policies which may affect tourism, of the broker of the best practices in the field and of the privileged interlocutor with all the parties involved in the policy-making. The CEU's objective is to channel to the appropriate level of governance the various policy demands of the parties involved and to fine tune, through the concept of sustainable development, their conflictual policy preferences (i.e. consumer and natural and cultural heritage protection vs. growth and employment interests).

The Role of the European Commission

THE MOTIVATION OF COMMISSIONER PAPOUTSIS AND HIS CABINET TO ACT AS POLICY INNOVATORS

I will examine the motivation of Papoutsis and his cabinet to pursue policy innovation according to the theoretical hypotheses for the profile of the Commissions' top-officials who act as policy innovators. According to these hypotheses, the motivation of the Commissioners to embark upon policy innovation is directly linked to their personal career ambitions as politicians, and their ideological and political beliefs for the role of public authorities (more or less interventionist). It is also influenced by the policy priorities of their national domestic arena.

Commissioner Papoutsis is an active politician, member of the European Parliament for eight years, and prominent member of PASOK, the Greek socialist party which has held office for almost 17 years since 1981. Papoutsis was a young, highly ambitious politician who saw his post in the Commission as a step which provided him with a higher international profile, a necessary element to realize his ambitions to become a future challenger of the leadership of his party.⁹⁷ Papoutsis's profile made him keen on pursuing policy innovations which will give him greater prestige and reputation as an effective innovative policy-maker. He also wanted to pursue new policies to help his own country since his intention was, ultimately, to go back to domestic politics. As already mentioned, tourism is a sector of central importance for the Greek economy in terms of balance of payment, volume of returns and employment. At the same time, as a socialist, Papoutsis was more sensitive to

redistributional policies, and regarded tourism as an excellent instrument to reduce regional disparities and to increase the economic and social cohesion of the Community, as well as a means to fight unemployment, a top priority policy target for Europe's socialists. Most of the members of his cabinet staff were also his staffers when he was a member of the European Parliament and shared the same political beliefs as their boss. The staffers in charge of the tourism portfolio was working for the European Socialist Party prior to taking this post and is an active member of PASOK. Looking at this evidence, it is easy to understand why Commissioner Papoutsis proved so motivated and active in pursuing a European driven policy for tourism.

THE COMMISSION EMBARKS UPON A PIECEMEAL STRATEGY TO INTRODUCE AN EU-WIDE POLICY FOR TOURISM

As discussed above, Commissioner Papoutsis initially made a maximalist proposal for the introduction of a specific title for tourism in the revised Treaty of the European Union during the process of the Intergovernmental Conference of Amsterdam. In his speech in the public hearing at the EP on January 9, 1995, and then again one month later on February 16 in Strasbourg, in front of the "Inter-Group Tourism"⁹⁸ of the EP, he officially announced to the EP and the players involved in tourism affairs, his policy intention to propose the inclusion of tourism in the revised Treaty:

⁹⁷ After his session in the Commission, he had a successful return to domestic politics in Greece, and became member of the Greek Parliament and minister for first time in his career.

⁹⁸ The "Inter-Group Tourism" created by the European Parliament in the 1980s as a discussion group when tourism started to become an area of policy interest through the proposals of the Commission. It consists of Members of the European Parliament who have an interest in tourism, and representatives of the tourist industry and other bodies participate in its regular meetings.

" the revised Maastricht Treaty, which will be negotiated by next year's IGC should contain a special reference to tourism, so that the issues that are related to this sector can obtain the weight that they merit in the decisions taken in the framework of the general political activity of the European Union...Without putting into question the competencies of the regions and the member states with regard to tourism policy, I believe that it is important to reinforce the role of the European Union in the field." (Porte-Parole of the European Commission 1995 IP/95/142)

He then opened the widest possible discussion and consultation procedure, asking all the players in the field --private and public, national and supranational-- to take a position on whether such a policy was necessary at the Community level. This process was used in order to both shape the preferences of the players in favor of a Community-driven policy, and, at the same time, to provide a way for the Commission to measure the policy cost of this top-down innovative policy enterprise.

It is for this reason that, in the same speech in Strasbourg, he emphasized that:

" the specific way in which reference should be made in the Treaty is an issue which should be examined after the completion of the consultations which will follow the adoption (by the Commission) of a Green Paper with the aim of recognizing tourism as a special policy of the Union" (Ibid.)

This process was initiated with the issuing of the green paper on the role of the Union in the field of tourism two months later, on 4 April, 1995. Papoutsis accepted publicly that it was his personal achievement to have convinced the Commission to adopt, the green paper for the future of tourism in the Union within three months since his taking office, and to have introduced the debate on the central floor of the Intergovernmental Conference in Amsterdam. In his speech to the most important association of the world tourism industry, the World Travel and Tourism Council, he stressed his personal determination to promote tourism in the Community's policy-making:

"I am really happy to have managed, not without difficulties, to have the Green

Paper adopted by the Commission on 4th April. It is the first time that the Community is going to engage in a dialogue about the role and the possibilities of tourism for Europe...we want to examine further how everyone can have his proper place in this partnership and what the role of the Community will be in this process..." (Papoutsis 1995, *Speech at the Meeting of the WTTC*, 20/04/95).

The green paper reviewed all the existing measures and policy instruments which were running at that moment at the Community level and gave four policy options for the future role of the Union. These options were presented in the light of an analysis made by the Commission on the potential value added to tourism. The options run through the whole spectrum of alternatives. In this way they gave all the participants in the consultation procedure the chance to reveal their policy preference no matter what this meant. The first option involved a step back from the current situation of the 1993-5 action plan. In this option, tourism would continue to benefit from measures in other fields as it had done before the adoption of the plan. In the second option, someone might advocate the retention of the current framework and level of intervention as established by the 93-5 action plan. The third option envisaged strengthening current practices by providing, on the basis of the existing Treaty (Article 3t), a comprehensive policy framework with clearly defined policy targets and the allocation of sufficient resources for their achievement. The fourth option posed the question of the inclusion of a specific title in the Treaty which would give the Community the right, under qualified majority to have a permanent policy on tourism complementary to those of the member states.⁹⁹

⁹⁹ For an extensive presentation of the four options see the third section of the Green Paper, COM(95)97 final.

At the presentation of the four policy options the Commission did not adopt a neutral position. Rather, it showed itself clearly favorable to third and fourth options, with more support for the fourth. It considered that option two was insufficient: " the plan itself was not sufficient to ensure that the full potential of tourism and related actions was harnessed to the benefit of the Union's measures" (COM(95)97 final: 21). It identified, as a possible response to this insufficiency, the strengthening of existing measures which had an impact on tourism and an increase in the funding allocated to them. In general, the Commission, as will be discussed below, characterized option two as an experimental type policy exercise limited in scope and duration, which was in need of upgrade (COM(95)97 final: 21). It took the position that:

"However, higher profile Community action might also create a multiplier effect for the value-added of each of the policies, since it encourages coordination between the various types of policy (which affect tourism) and between the various levels of action (Community, national, regional, local)." (COM(95)97 final: 21)

Concerning the fourth option, the Commission posed the question of increased Community intervention to assist tourism to the parties involved in the consultation procedure, in a way that made it clear, that it was ready to support, by all means, policy developments in this direction:

" The Commission could also take any initiative it considered useful in promoting coordination (with a view to balancing the various diverse interests at play in the field of tourism)... filling in any gaps left by national policies whenever they might be damaging to European tourism as a whole. It is also possible to envisage a Community policy, complementary to the policies of the member states, which could be drawn upon in defining the other Community actions with potential impact on tourism." (Ibid.: 21)

According to the presentation made in the green paper, both options three and four correspond to a coherent policy. This policy for tourism would be operated with more difficulty in case that the revised Treaty did not include a separate title for tourism

with decision rule under qualified majority. In any case, no matter what the member states would decide in Amsterdam, the Commission introduced the alternatives in the consultation procedure in order to try to create a focal point around the maximum scenario which involved a commitment to a comprehensive policy program of a higher profile than that which already existed. Its piecemeal strategy from then on was to help the other parties to arrive at this focal point. What Papoutsis stated a few months later, opening the forum on European tourism in Brussels, is characteristic:

"your reactions during the public dialogue on the Green Paper made clear that there are a number of fields in which Community action can offer an added value. There is a general agreement on three objectives: there is a need for coordination (existing policies which affect tourism in levels of governance)...In certain fields the Community can and must take supplementary, additional and coordinating action in relation to national policies....But we should bare in mind that, however successful, no action plan is a substitute for policy. And what tourism needs today is a policy. A political commitment, a political will, that we will define in common the framework of that policy on a European level." (Christos Papoutsis (1995) European Commission, EN/CA/95/01510000.P01: .6)

The main instruments in the creation of an institutionalized communication channel were a series of workshops, conferences, such as the meeting of the directors-general responsible for tourism in the member states of the European Union¹⁰⁰ in Brussels on 3 July, 1995, and the Forum on European Tourism in Brussels in December, 1995.¹⁰¹ After the failure to have a new title for tourism established in the intergovernmental conference in Amsterdam, the Commission carried on and held the conference on employment and tourism in Luxembourg in November 1997. An institutional output of this conference was the set up, of the high level group on tourism and employment

¹⁰⁰ See the related report published by the Commission, Commission of the European Communities (1995b)

in 1998. In all these forums the Commission invited the most eminent external experts to participate with the aim of producing and discussing studies which attempted to identify the failures of national driven policies and to reveal the need for a EU-driven public policy on tourism. A campaign, based on the above-mentioned type of activities, was carried out throughout the member states with the aim of sensibilising the capitals, the organized interests and the private sector.¹⁰²

The Commission was ready to count the cost in order to modify its policy proposal in such a way as to finally achieve some form of European policy for tourism, even at the minimum level. Its concern was to at least maintain the communication channels among the players and to prepare the ground for future policy innovation in the field when the policy environment becomes more favorable such that the cost for carrying out the policy was reduced.

At the same time, in Strasbourg in February 1995, as mentioned, the commissioner for tourism also wanted to take advantage of the existing legal framework and to promote a Community policy for tourism. He announced a proposal which the Commission adopted in April 1996, for the replacement of the 1993-5 Action Plan with "philoxenia", a comprehensive four year (1997-2000) program. The green paper

¹⁰¹ See the minutes of the forum in the European Commission/DGXXIII/Tourism Unit (1995).

¹⁰² An example is the participation of the Commission in the Borsa internazionale del Turismo, held in Milan 28/2-3/3/1996. Papoutsis introduced the opening session with the theme "Culture and Tourism: opportunities and perspectives" where he argued once again that " I'm fully aware of and I support calls for Community coordination and for a European policy on these matters. For the time being, the Community does not have a formal tourism policy. A reference in the Treaty on Tourism policy could spell out Community objectives in the fields of tourism and cultural tourism" (Related information memo, Porte-Parole of the Commission of the EU, Speech/96/52, 1/3/1996).

along with the maximalist strategy for a specific title dedicated to tourism in the revised Maastricht Treaty and the “philoxenia” were decided simultaneously and the Commission wanted to pursue both of them. The key to this policy innovation strategy was the level of hostility expressed by the member states, since the tourism industry and the other institutions of the Union were in favor. In the case that the cost for the maximum target was prohibitive, due to high hostility, then elements of a comprehensive policy to assist tourism would survive within a multi-annual minimum policy program, since there would be less hostility towards such a low profile proposal. The action plan was characterized as being of an experimental nature and limited scope,¹⁰³ and the Commission argued that, now was the time for a comprehensive policy strategy.

In order to increase the objectivity of his proposal for the "philoxenia" multi-annual action plan, Papoutsis invited external experts to evaluate the previous Action Plan,¹⁰⁴ which had run for the years 1993-5, and to make the policy-making more efficient. In its COM(96) 166 final, the Commission sent a report to the Council and the Parliament in which it responded to the external consultant's report:

"This report has shown that the Plan has had both shortcomings and positive effects. It has served as a useful basis that has indicated the type of future actions which may assist this vital industry. The commission therefore is submitting with this report, a proposal for a first Multi-annual Program in favor of tourism." (COM(96)166 final: 12).

¹⁰³ See the content of the second option for the Union presented in the Green Paper: “it (the plan) represents an experimental platform for comparing ideas and experience, building common projects and developing common strategies. However, this action plan is limited in both duration and scope” IP/95/330, Brussels 04/04/1995.

¹⁰⁴ See report on the evaluation of the Community action plan to assist tourism (1993-5) adopted by the Commission on 30 April, 1996, COM(96) 166 final, Brussels 1996.

The proposal for the “philoxenia” multi-annual program was the outcome of positive response to the suggestions made by the external experts.

Bearing in mind that the current trend in the Council was against new Community policies, the commissioner, in order to minimize hostility to his expansionist policy proposal, systematically presented in the "Green Paper" all the measures already taken by the Community which indirectly affected tourism. The aim was to show the Council that the decision which had to be taken was not whether the Community should get involved in policy actions affecting tourism, but what type of actions it should pursue, since policy measures affecting tourism were, in place. In this way, Papoutsis was able to keep the negative reaction to, and therefore the cost of, such a policy proposal at the lowest possible level.

Commissioner Papoutsis considered that the initial constraints on a proposal for an EU tourism policy were flexible and could be relaxed in the course of his efforts for policy innovation at the Community level. For the maximum scenario of his strategy - to pursue a title for tourism in the Amsterdam negotiations for the revision of the EU-Treaty, he tried to take advantage of the different positions concerning his policy proposal between the ministries of foreign affairs, who expressed their opposition, and the favorable domestic tourism authorities and to build on an alliance with the latter. Through this strategy Papoutsis tried to push from within the domestic arena of the nested bargaining game and to reshape the final policy preferences of the member states on the intergovernmental bargaining table in favor of a Europe-wide policy on

tourism. This is a typical case where the CEU was acting as a preference-shaper and not as a preference-accommodator. The outcome of this strategy was not, as had been wished, to convince all the negotiating parties, however, several member states did change their position in favor of the proposed new European policy. At the beginning of the negotiations, all the ministries of foreign affairs, with the exemption of Greece, were against the proposal of the CEU. At the end, the majority was in favor, with the exception of the UK, Germany, and the Netherlands.¹⁰⁵ This outcome became a positive starting point for the next step in Papoutsis's piecemeal approach to achieve elements of an EU-driven tourism policy within the framework of the existing legal legitimacy, through his proposal for the "philoxenia" multi-annual program.

Another strategic choice Papoutsis made was to try to introduce a European policy for tourism as a job-creating policy encompassed within the employment policies of the Union. In this way, such a policy proposal could go high on the policy priorities of the Union since unemployment was marked as top priority for the Intergovernmental Conference in Amsterdam, especially after the publication of the related White Paper of the Commission.¹⁰⁶

After his failure to achieve the maximum scenario with the introduction of tourism as a specific title in the revised Treaty, the support of tourism as job-creating policy

¹⁰⁵ See Commission of the European Communities (1995b) and the Commission of the European Communities/ DGXXIII/A/3 (1995) documents which show the position of the member states at the beginning of the consultation process, and the European Parliament/Intergovernmental Conference Task Force (1996) for the final position of the member states on the possibility of having tourism as a title in the Treaty.

became Papoutsis' main argument. Together with the monetary stability agreement, the Amsterdam Conference adopted a resolution that the member states should, as a priority, work together to tackle the problem of growing unemployment. Based on the fact that the mandate taken by the Treaty of Amsterdam for the Union's institutions and the member states was to fight unemployment in concerted way, Papoutsis organized in November 1997, shortly after the signature of the revised Treaty, a special conference with title "Employment and Tourism". This was two weeks before the Luxembourg summit scheduled by the Amsterdam conference to discuss unemployment. Addressing the conference, Papoutsis stated:

"Personally, I believe that tourism is the ideal sector for the implementation of integrated strategies for job creation...We decided to organize this Conference at a critical moment. Right now, employment is the subject of a more general discussion and reflection in the European Union" (Speech, 4/11/97: 3).

From this point, the minimum scenario, that is, at least a coherent multi-annual program to assist tourism (in other words the "philoxenia" proposal) was introduced principally as a job creation program. In the same speech Papoutsis argued:

"In 1996 we proposed philoxenia...its aims are the quality and the competitiveness of European Industry. Objectives which aim, amongst other things, at boosting employment and creating new jobs. ...Unfortunately at Council level there have been serious delays." (Ibid.)

On 26 November, 1997, the Council, under the presidency of Luxembourg, failed to adopt the program, since the decision rule was "unanimity" and Germany and the UK

¹⁰⁶ Commission of the EC (1993), Growth Competitiveness, Employment, the Challenges and Ways Forward into the 21st Century, Brussels COM(93)700 final.

were unable to support the presidency's compromise.¹⁰⁷ However, in this Council, Papoutsis managed to gain a resolution in which the member states unanimously identified the tourism sector as a major sector in which both the states and the Union should promote programs to create new jobs:

"The Council, aware of the significant part European tourism might play in combating unemployment, recognized the need to exploit the industry's job creation potential through a variety of programs and Community policies, particularly by improved coordination and cooperation and optimum use of the means available...." (Bulletin EU 11-1997, point 1.3.96).

The Council did not agree upon a specific program, which was the maximum scenario, but accepted the minimum version that, on principle, tourism is an important job creating sector which deserves more attention and a systematic examination of its labor potential by the Union. The Council asked the Commission to work further on the findings and the policy direction given by the Conference on Tourism and Employment:

"The Council called on the Commission, in cooperation with the member states, to investigate more closely the findings of the conference on employment and tourism...and to inform it on the progress made."(Ibid.)

The least-common-denominator of the positions of the member states was that tourism was a priority sector of common interest and that the Commission should be given a clear mandate to keep searching for better policies to assist this sector. The success for Papoutsis was that he managed to insert the tourism policy agenda in the high profile and, after the mandate of the Amsterdam Summit, priority agenda of policies for fighting unemployment throughout the Union. The gain was that, from

¹⁰⁷ See Council-Tourism press release, Nr. 12664/97rev1 (presse358), 26/11/97.

then on, the terms of reference for any policy proposal of the Commission to assist tourism could include the Council's resolution that tourism is a job creating sector, and therefore the Council could never go back to argue that tourism was not a priority area of European policy concern. This result is a typical example of Papoutsis' piecemeal strategy in the search for policy innovation in the field.

Despite policy results that were consistently less satisfactory than expected, Papoutsis did not stop his efforts to achieve policy innovations in the field of tourism. On the contrary, he further promoted the image of tourism as a job creation sector, since he knew that unemployment would be the top priority issue for the Union's policy-making in the coming years. At the beginning of 1998, Papoutsis introduced another policy instrument, the High Level Group on Tourism and Employment,¹⁰⁸ in order to strengthen the common identity of the major players in the policy arena and to further shape and push the policy preference of the member states towards tourism as an area for in which to introduce major projects to fight unemployment. The task of the group was to examine and identify opportunities and the policy environment for the tourism sector to step up its contribution to employment. The group was composed of the most prominent and influential members operating in the various sectors of the industry, members of public authorities, and academic scholars. Papoutsis wanted to use the influence of these parties on their respective governments in order to raise the later's awareness of tourism affairs. He had hopes that these voices could raise the prestige, and the bargaining leverage, of tourism as a policy area with a strong

European dimension.

Dr. Corsten, the chairman of the group, being himself an industrialist (TUI tour operators), stressed clearly that the aim of the group was to further sensitize the member states and to convince them to finally adopt common measures to assist tourism:

"The Group is firmly convinced that:

- the contribution of tourism to growth and employment requires greater political recognition at all levels, and that this should lead to positive action which will reinforce the potential of the tourism industry to bring further and sustainable growth
- the greater integration of tourism preoccupations and priorities into the development and implementation of Community programs and policies presents a unique opportunity for the Community to contribute to greater competitiveness of the European industry...

The early publication and dissemination of the Group's conclusions and recommendations would be helpful, and we look forward with interest to the reactions of the Community institutions, the member states, the industry and other organizations concerned, in the context of establishing a consensus on the follow up needed to ensure that the recommendations will be put into practice" (Report. of the high level group, October 1998: 6)

Responding to the report, Papoutsis stated:

"The conclusions and recommendations of the High Level Group will be a valuable instrument for our future work. The European Commission will examine the extent to which these recommendations can be implemented.....I am grateful to the President of the Group, Dr. Corsten, and to all its members, for the

¹⁰⁸ See the report produced and sent by the High Level Group on Tourism and Employment to the Commission with the title: "The Economic Impact of Tourism and its Potential for Further Growth", Brussels: October 1998.

important contribution they have made to the identifications of the main challenges to be faced by the European tourism industry to improve its competitiveness....The direct commitment to this process by leading decision makers from all the member states encourages us to continue to work together towards a wider political recognition of the contribution of tourism to growth and employment, and towards the development of a policy which reflects the importance of the industry" (Ibid.: 3)

This report came out in October 1998, little more than one month before the Council of December 1998, under the Austrian presidency. The Austrian presidency was in favor of "philoxenia" and had the issue on the discussion agenda. This was in contrast to the UK, its predecessor in the presidency, which was not favorable to the program. Therefore, the Austrian presidency was the first opportunity, after the unsuccessful effort of the presidency of the Luxembourg in the summit of November 1997, for the Commission to push for a Council decision for "philoxenia". It was this timing that led the Commission to throw on the table the report of the high council, in order to create a policy momentum for tourism. However, once again the Council failed to overcome the disagreements of Germany and the UK and, under the unanimity decision rule the program was not adopted.¹⁰⁹

Papoutsis continued his preference shaping strategy by playing the card that tourism was an ideal sector for operating concerted European and state driven job-creation projects. He worked in this way to step-up the impetus derived from the European Conference on Tourism and Employment held in Luxembourg in 1997, and the report

of the High Level Group on Tourism published in 1998. He again spread their recommendations and conclusions by means of an extensive program of discussions throughout the Union, as he had done with the green paper on the role of the EU in tourism. In 28 April, 1999 he concluded this process, by sending a communication entitled "Enhancing Tourism's Potential for Employment; Follow-up to the conclusions and recommendations of the High Level Group on Tourism and Employment" to the Council, the European Parliament, and for its information to the Economic and Social Committee and to the Committee of the Regions.¹¹⁰ With this communication, the commissioner for tourism concluding his five years in charge of the portfolio of tourism affairs intended to leave a shopping list of policy objectives for the next administration. Central to this was the assertion that helping tourism, could lead to, "an additional 2.2 to 3.3 million extra jobs being created by the end of next decade". This communication also identified the policy priorities for the next Commission:

"The Commission identifies the main elements which could reinforce tourism's contribution to the European employment strategy, particularly the pooling and dissemination of qualitative and quantitative information, including best practice, the creation of user friendly information tools on European Union programs and initiatives on tourism, and the creation of a structure for consultation and cooperation with public authorities, the tourism sector and the other parties concerned." (Bulletin of the EU 4-99, point 1.3.85)

The shopping list repeated the policy directions of the "unfortunate philoxenia"

¹⁰⁹ See press release of the Council-Internal Market: "While most delegations supported the programme, a number of member states still voiced strong objections referring to the principle of subsidiarity (UK) and ongoing discussions on the EU's financial perspectives (Germany)", Press Release: Brussels (07-12-1998)-Nr.13680/98 (Presse 434).

¹¹⁰ COM(99)205 final.

program. It was a list of policy proposals which aimed to create a Union-wide institutional framework for the policy domain of tourism affairs. It did not propose budgetary instruments such as subsidies schemes. Rather, the idea was to create a permanent communication channel through which the players involved could exchange information and policy experience which in turn might lead to institutionalized policy learning. The Commission wanted to keep the role of broker and of mediator-catalyst in the process, in order to help actors in the field to pick successful programs as policy solutions. It stated clearly that:

"There is a general recognition also that this common goal (to enhance competitiveness of European tourism) could be better reached by improving the exchange of information and by development of greater synergies amongst the wide range of national and Community initiatives which are being taken in relation to tourism...this process could be helped by a coherent Community framework for consultation and cooperation in tourism allowing for the identification and dissemination of information of best-practice." (COM(99)205:10)

The Commission proposed to the future Commission to proceed to the institutionalisation of the ad hoc operating, consultation and cooperation structure on a regular basis:

" The future Commission may wish to consider the opportunity to review the existing arrangements for ad hoc consultation involving some 40 different European organizations and create a single new European Tourism Advisory Board. The board, which could advise the Commission on developments in European tourism, could be representatives of major stakeholders and could include decision-takers of stature in the private and the public sectors." (COM(99)205final: 7)

In this way Papoutsis tried to safeguard the continuity in the Commission's innovative policy in the field of tourism, and sent his personal policy conclusion for his years in

office as a clear political message:

"The European Commission's reaction to the report of the High Level Group is a positive message to the tourism industry and it recognizes that it has a key role in the creation of extra jobs. The Commission is working towards creating a favorable framework which will enable the industry to flourish even further. It remains now for the Council to play its part in the political recognition of tourism and to agree on a renewed strategy framework for improving the quality and competitiveness of European tourism." (Press Release IP/99/267, 28/04/99:1).

The foregoing failure of the Commission to convince the Council to adopt a coherent policy framework for tourism demonstrates, once again, the interactive nature of EU policy-making. In this environment, the fact that a player, in our case Commissioner Papoutsis acted as a preference shaper does not safeguard the success of the effort. It is clear that Papoutsis played a pro-active role, using various methods to promote policy innovation in tourism. He tried to shape the policy environment and to lead it to accept his policy proposals. He also tried to mobilize policy resources such as industrial interests and experts and to create a strong European policy identity for tourism. The result of his strategy might not have led to a new European policy for tourism, however, it did have a strong institutional impact. In almost five years of intensive effort, he managed to create a European policy community for tourism, which identified itself as such and had its own regular meetings and a common policy agenda. It is clear that the European tourism community, which was formed top-down, now has a sound foundation and clear policy objectives to pursue in EU policy-making. What the Santer Commission expressed to its successor Prodi Commission, in its concluding remarks to its last communication for tourism to the Council and the Parliament, is characteristic:

"The foregoing analysis underlines the appropriateness of the conclusions of the

High Level Group in relations to the conditions for maximizing the contribution of tourism to growth and employment....(underlines) the need for an improved framework at Community level bringing greater effectiveness to Community actions in the field of tourism. It will be for the future Commission to consider the opportunity to examine progress made towards the implementation of the High Level Group's conclusions and recommendations" (COM(99)205 final: 18).

The Position of the Member States on the Proposals Made and the Strategy Followed by the Commission to Introduce Tourism Policy Measures at the EU Level

In order to better understand the configuration of policy preference of the member states, these can be divided into two analytical categories according to the criterion of whether, proportionately, they receive or send tourists. The countries which mainly host tourism, which the Commission, in the green paper for the role of the Union on tourism, called destination countries, are basically Greece, Italy, Spain, Portugal and Ireland. The countries which send tourists abroad, which the Commission calls source countries, are basically Germany, the UK, Netherlands, Belgium, France and Denmark. However, this is not a clear division, since all the member states are to some extent both source and destination countries. Therefore, for analytical reasons, we keep the same division as that followed by the Commission, which refers to the dominance of the one or the other characteristic in each country. A country currently characterized as a source country, may, in the near future, change to a destination, since the main characteristic of the nineties was that traveling became a global operation, and more and more people traveled abroad. Within the Community, this trend is expected to be particularly intense, due to the abolition of border barriers, the introduction of the Euro and the reduction of the cost of traveling as a result of the

liberalization of the travel markets. Therefore, the underlying policy factors which influence the policy-making of a source country may also be complemented by those of a destination country, as soon as this country begins receiving a growing number of tourists and developing a host industry to provide services to its visitors. In this case, it is possible that the current least-common-denominator for the role of the Union on tourism will move towards the maximum scenario for a coherent Community policy on tourism.

With the above points in mind, let us examine in more detail the status quo in the position of the member states at the moment when Papoutsis initiated his policy innovation strategy with the introduction of the green paper on the role of the Union on tourism. Looking at the results of the consultation process run for the green paper we observe that, source countries care more for consumer protection policy measures and appear to prefer the minimum scenario proposed by the Commission.¹¹¹ Destination countries care primarily about the competitiveness of the tourism industry and appear to be favorable to the maximum scenario proposed by the Commission for a comprehensive Community policy on Tourism based on measures to promote investment in infrastructure and to create a business environment which safeguards a sustainable development for European tourism. From the beginning of the consultation over the green paper, the position of most of the source countries leaned towards a more active role for the Union on the field of tourism, though it was not far from the minimum scenario for policy innovation. More specifically, they recognized the need for better coordination of the various indirect measures undertaken by the

Community which have an impact on tourism, such as consumer and environmental regulations and border control.

Following the proposed analytical framework, we obtain a better understanding of the position of the member states by examining the configuration of industry's interests at the micro-level of analysis and inside the national arenas. Interests in tourism policy-making from the source countries mainly belong to the demand side of the tourism market and interests from the destination countries to the supply side. The demand side, consisted of consumers, was interested in more Union regulation and protection of the quality of tourism services, whereas the supply side, consisted of tourism industry, wanted a more active role of the Union in overcoming the shortcomings and failures of national policies to support their industry. Therefore, destination countries appeared to favor a more interventionist role for the Union in tourism affairs and source countries were only keen in regulations for the protection of the consumers and the environment. Moreover, the source countries did not have a common position for the degree of regulation, since governments had to balance at the Community level the demand of their consumer interests for maximum regulation and the demand of tour-operators for minimum regulation on tourism industry. The fear of over-regulation on the matters of consumer, environment and heritage protection and therefore, the possibility of an increase in the cost of tourism packages, sensibilized the big tour operators, a key factor of the tourism industry, based in source countries to start pushing their governments for concerted action for minimum regulation at the Community level. According to the positions of national tourism interests outlined

¹¹¹ See the Commission of the European Communities (1995a)

here, there was not a common policy agenda promoted for support by all the member states. The interests across the Community recognized the role of the Union on tourism, but they did not share a common position on the scope of this role. The source countries did not appear to have a particular interest in promoting the maximum scenario for a Union policy on tourism, while this was the strong preference of destination countries. As we will see below, examining the position of the tourism industries across the Union in more detail, there was no a capable organization of interests of the destination countries. This was because their fragmented nature as SMEs made it difficult to lobby and promote effectively a tourism related common policy agenda at the Community level. The result was that the maximum scenario proposed by the Commission had no strong supporters at the national level of source countries.

It is also important to consider the strong, ideologically based position of the governments in many of the source countries, such as the UK, France and Germany in the mid 90s, that the Union did not need new policies, but rather should deepen those in existence. This view, combined with the low political leverage of the tourism industry in these countries, can lead us to conclude that the status quo with respect to the underlying policy factors was very negative with regards the maximum scenario becoming dominant in these capitals.

It is not only the source countries that were against the maximum scenario; some of the destination countries, such as Spain, also showed little enthusiasm at the beginning of the process for including a new clause for the European tourism industry

in the revision of the Treaty of the European Union. Other source countries such as France, Denmark, and the Netherlands changed their position and moved towards the maximum scenario. Therefore, the configuration of the position of the member states was more complex than it might have at first appeared according to the underlying tourism industry and consumer interests.

According to the analytical framework of bureaucratic politics, another perspective, that helps us to throw light on the role of the states in EU policy-making, is to examine at the micro-level the positions of the various government departments involved to tourism matters. The member states did not act as unitary actors in the EU policy-making, but rather there were several players from different public authorities within the domestic arena. Each of these was involved in consultation in order to form the position of the member states in their negotiations with the other member states in the Union's fora.

The ministries of European Union affairs or the foreign ministries of the member states were basically against any delegation of elements of tourism policies from the domestic to the Community level. Their negotiating position within the framework of the Amsterdam intergovernmental conference, which had the mandate from the Maastricht Treaty (Article 3t) to reconsider tourism together with civil protection and energy as possible new areas for concerted policy actions by the Union, was, under the principles of subsidiarity and proportionality, to push for the deepening and not the widening of the existing EU-driven policies. Hence, the foreign ministers of the member states as chief negotiators at the Amsterdam intergovernmental conference

did not have tourism policy at the EU level on their agenda, since such a policy contributed towards the widening of the Community's policy competence.¹¹²

The tourism ministries and the other public authorities relevant to tourism were more sensitive to tourism matters because they had to tackle the serious problems of their "client", the European tourism industry. This industry had, from the beginning of the 90s, been demonstrating a continuous decline in market share in comparison with the tourist destinations outside Europe. Under these conditions, national tourism authorities were more inclined to improve mutual cooperation and take action at the EU level in order to reverse this trend.

The fact that the ministries of EU foreign affairs were the main top-negotiators in the intergovernmental conference for the review of the Maastricht Treaty gave them a distinct advantage over the other public authorities of the member states. Additionally, the leverage of government departments concerned with tourism is much less than that of foreign affairs departments in influencing the domestic agenda of policy priorities of the member states. Therefore, in the intergovernmental conference of Amsterdam, the hostile position of most of EU foreign affairs ministries

¹¹² The Corfu European Council of 24-25/06/94 agreed to the setting up of a "reflection group" to prepare the 1996 Intergovernmental Conference, to consist of representatives of the Foreign Ministries of the Member states and the president of the CEU. It has the tasks of examining the provisions of the Treaty on the EU, which needed to be revised, and proposing possible changes. From this position the Ministries of Foreign Affairs could act as dominant players in relation to other domestic state bodies and institutions in the consultation process for the revision of the Treaty of the EU, since they had the responsibility to collect and search for the syntheses of the domestic policy preferences. This position of the foreign ministries in the preparation of the negotiating documents of the Amsterdam intergovernmental conference was later enforced still further, when the Madrid European Council decided on 15-16/12 /95 that the report produced by the Reflection Group on the revision of the Treaty

to any further expansion of the EU in new policy domains, combined with their interpretation of the principle of subsidiarity as meaning less Europeanization of public policies, increased the cost of policy innovation at the EU level. The outcome was that tourism--despite the efforts of the Commission and some of the member states, such as Greece and Italy--was not discussed at all as a possible new title in the revised Treaty.

After this unsuccessful effort of the Commission to introduce a specific title on tourism, Papoutsis, as mentioned above, concentrated his piecemeal innovative strategy on having "philoxenia" adopted as a complete multi-annual action plan with specific policy guidelines and resources dedicated to promote tourism at the EU level. This program was issued in June 1996, and was extensively discussed under the Italian, the Irish and the Luxembourg presidencies. All three of these member states had been in favor of the maximum scenario in the discussions over the green paper. In accord with the Commission, they included the program on their presidential agenda and pushed to have it adopted. As we will see below, Papoutsis attempted to employ a low profile strategy to convince the member states that their task was not to decide on a new policy, but to continue and improve the existing policies introduced under the action plan of 1993-95 to assist tourism. In these sequential discussions the UK and Germany refused to support the various compromises proposed by the presidencies. The reservations expressed by these two delegations were based on the argument that, according to the principle of subsidiarity, all the proposed measures could and should

should be the base for discuss in regular meetings of the foreign ministers, to be held, in principle, once a month.

be dealt at the national and the sub-national level.¹¹³

The German delegation was blocked by the opinion of the *Laenders*, which believed that tourism matters lay mainly in their domain and that what was needed was more power allocated to them at the sub-state level rather than the delegation of power to the supra-national. According to the opinion of a member of staff in charge of Papoutsis' cabinet expressed in an interview in May 1999,¹¹⁴ the position of the German *Laenders* was based on a clear misunderstanding which resulted from wrong information concerning the program. All the other member states agreed to adopt "philoxenia", which itself indicated that the Commission had made progress.

One year later, the discussion on the program was revived under the presidency of Austria, which was not in favor of the maximum scenario to introduce a tourism title in the Treaty, but which was ready to accept measures to support tourism such as operational solutions proposed by the "philoxenia" program. This time, Germany's tourism department changed its position and agreed to drop its reservation that the program was not in accord with the principle of subsidiarity. However, the ministry of finance blocked the program by expressing reservations on the budget. Initially a budget of 18 Million ECU for four years was proposed, more or less the same amount allocated in the 1993-95 action plan. In order to achieve a compromise, the Austrian presidency proposed for the same time span a budget of 8 Million ECU. Germany, however, did not withdraw its reservations, and connected this possibility of funding

¹¹³ See the press release of the Council Tourism, Nr 12664/97 (Presse 358), Brussels, 26/11/97

with future positive developments in the financial prospects of the Union.¹¹⁵ It was at this time that the new Schröder administration raised the issue of the reform of the total budget of the Union, claiming that Germany was paying too much. It was therefore one of the top-priorities of Germany's general agenda that prevented the adoption of "philoxenia" on this occasion.

Apart from the UK and Germany, the usual suspects, Sweden also took a stance against the adoption of "philoxenia" for the first time. The reason for the Commission losing a favorable voter was the change of government in Sweden. The newly elected government coalition flew the flag of "less European integration", and therefore, like the UK, with its traditional Euroscepticism, Sweden moved into the camp of those who opposed any new policy proposal for more Union competence in policy issues.

The above analysis of the position of the member states throughout the efforts made by Papoutsis to promote innovations in tourism policy at the European level, reveals the level of complexity underlying the positions of the member states. The position adopted was the equilibrium point of the policy preference of a number of actors operating within the state arena. It has been shown that the position was not static throughout the process but underwent change. It was his belief that the initial constraints were flexible and may be relaxed which led Papoutsis to try his piecemeal policy strategy, despite the very negative starting point. This structure of policy-making is, in keeping with the predictions of the proposed theoretical framework, a

¹¹⁴ Interview with L.Itzipeoglou, May 1999

two-level nested game. In this structure, the issue at stake was of low salience at the domestic arena, with the states initially being polarized at the Community level, while the Commission showed high interest in intervening and in influencing the output of the game both by trying to reshape the preference of the negotiators and by making strategic use of the timing of the launch of the innovative proposals.

The Position of its Policy Clients (Tourism Industry etc.) and the Strategy Followed by the European Commission: The Commission Creates a Common Policy Identity for the Unions' Tourism Interests

In order to understand the dynamics of EU tourism policy-making it is important to examine the role of various societal interests, and not only those within the state-arena but also those who by-pass the state and interact directly with the institutions of the Community. According to the proposed analytical framework these actors constitute the potential policy clients of the Commission and the other Community institutions in carrying out tourism policy.

As demonstrated elsewhere, there were a number of policy measures which directly or indirectly influenced tourism. With the green paper the Commission tried to systematize its policy clients around three poles of policy action run at the Community level:¹¹⁶

- Policy measures to promote and ensure tourist satisfaction.
- Policy measures to protect, reveal and renew the cultural and natural heritage of the various regions of the Community.
- Policy measures to promote a sustainable enterprise growth of the various

¹¹⁵ See the press release of the Council-Internal Market, Nr.13680/98 (Presse 434), Brussels 7/12/98

¹¹⁶ See COM(95)97 final: 18

tourism services.

Behind the pole of enterprise growth there were mostly private interests from the side of the tourism industry. The representation of these interests, as we will discuss in greater detail later in this section, is organized either directly through, the lobbying activities of individual firms, or through the collective action of tourism industry associations at all levels of governance. Behind the objectives of tourist and heritage protection there is the public interest expressed through the collective action of relatively large consumer and environmental organizations and public authorities.¹¹⁷ The growth interests of industry are not, of course, always in accord with consumer and environmental protection. On the contrary, consumers call for more regulation to safeguard the quality of services and their satisfaction as tourists, whereas tourism service providers are afraid of over-regulation and consequent increases in costs to their business with a major impact on their competitiveness in comparison to other tourism destinations.

Based on the above analysis, we can arrive to the conclusion that the policy clients of both the member states and the Community on tourism matters, often appear to have divergent, if not conflictual policy preferences. At the state level, member states respond to the policy demands of the two opposed groups according to whether there are principally net tourism receivers or senders. As already discussed, a receiver country is more sensitive to accommodate the preferences of the tourism industry than to accommodate the preferences of consumer and environmental groups, whereas a sender country prioritizes the other way round. However, as shown, it is not difficult for the classification of a country as sender or receiver to change according to the changing capacity of its citizens for travel. In this case, the satisfaction of the policy preferences of consumers and environmentalists may be more seriously taken into account by the governments of "host" countries since they become also senders. This trend may lead to a convergence of the policy mix which is followed by the member states and the

¹¹⁷ For a detailed presentation of the organizations operating at the member state and Community levels see annex 3 of the green paper on tourism, COM(95)97 final.

Union concerning tourism. However, in the green paper the Commission recognizes that:

" After studies conducted in each of the member states...conflicting priorities frequently exist within each tourist area, so that the Community could serve as a point of reference for the reconciliation of such opposing viewpoints."
(COM(95)97 final: 18)

As in the case of maritime industries, tourism industries did not have a policy agenda and nor had they ever considered such a possibility. It was the Commission that tried to identify overlapping of interest and to highlight the need to reconcile interests that were initially opposed. Since tourism is a cross-border activity, this reconciliation could be achieved more efficiently at the Community level. The Commission, following a top-down strategy, tried to shape rather than accommodate the preferences of the policy clients involved in order to move from zero-sum policy outputs to "Pareto optimal solutions", in which everybody would be better off. It kept for itself the role of policy coordinator and broker of the best policy practices.

It is well known from the work of Mancur Olson on "The Logic of Collective Action", that public interests, such as consumer, environmental and natural heritage interests, are, since they represent large groups of citizens, less efficient in pursuing collectively public policies for their own interest than the private interests opposing them, which are represented by small and affluent groups. However, in the case of tourism affairs, neither of these groups was efficient in pursuing policies at the Community level.

It was the World Tourism and Travel Council (WTTC), representing the biggest tourism businesses operating worldwide and not only at the Union level, which, at the beginning of the 90s, first realized that the tourist industry was affected, within the framework of national legislation, by environment, transport, consumer, and other laws. This, they considered, made it essential for the industry to have a say in the drafting of these laws. The big tour operators started favoring a regulatory

regime of minimum involvement for tourism. However, at that point they had not lobbied state or EU authorities to push in this direction. The inertia of the tourism industry can be attributed to the fact that, thus far, tourism had still remained a relatively unregulated business worldwide.

Private tourism companies, contrary to other industries such as car production or information technology, do not have lobby offices in Brussels. According to information obtained from the member¹¹⁸ of Papoutsis' cabinet in charge of the tourism portfolio, the industry is not engaged in consistent lobbying activities and does not have the prestige of other industries within the EU institutions. It demonstrates a more re-active than pro-active behavior. Most of the representatives of the European associations are already retired or close to retirement, and their posts are mostly honorary, in recognition of their career achievements, rather than their potential to work on a specific plan to promote the interest of the tourism industry in Brussels.

The Commission invited all the above associations to participate in ad hoc consultation procedures throughout the various stages of its effort to establish a specific title for tourism in the Treaty of Amsterdam, and later to have "the philoxenia" multi-annual program adopted. However, as I was told by the same member of Papoutsis' cabinet, the cabinet and the Commission's unit for tourism try to establish direct communication with prominent leading individuals in the field. As we will discuss below, the Commission, in its final policy proposal for the replacement of the ad hoc consultation procedures with one regular consultation, proposed that individual decision-takers of stature in the private and the public sector should also participate in the process together with the various tourism associations or organizations.¹¹⁹ In this way the cabinet tried to establish a direct link with the most influential and active figures of the field. They want to

¹¹⁸ Interview with L.Itzipeoglou member of Papoutsis' cabinet on charge of tourism matters, Brussels Feb 1997

¹¹⁹ See COM(99) 205: 7.

consult them on a formal base, but also be able to communicate with them whenever they needed to obtain an opinion or information prior to an official announcement or formal action.

At the same time, industry prefers to have the Commission's unit for tourism as its privileged interlocutor who has to represent its interests to the rest of the Commission's departments whenever required. As we will discuss in more detail in the section for the role of the unit for tourism, the role of privileged interlocutor is also the preference of the unit, but so far neither the unit nor the industry have demonstrated that this to be the case. So far industry has tended to bypasses the unit and talk directly to the relative departments whenever it has had to discuss with the Commission on issues such as infrastructure investments through the Structural Fund, environment regulations, implementation of new technologies such as information etc. The tourism unit has to earn the role of privileged interlocutor, and until it does, the industry is likely to remain unenthusiastic about using this channel to pursue its policy requests at the Community level. What the majority of industry representatives suggest in the consultation process for the green paper on the role of the Union on tourism is characteristic:

"There is a need for increased resources, both financial and human resources at DGXXIII. Take on a more prominent role so as to facilitate better, to work better in partnership with the private sector so you may intervene firmly across the full spectrum of the activities of the European Union" (Commission of the European Communities/ DGXXIII/ Tourism Unit 1995: 10)

Overall, it could be argued that the tourism industry's interests have been underrepresented in EU policy-making up to now. The fragmented structure of the industry, due to the fact that most of the companies are SMEs, makes the cost of collective action for this part of industry very high. The high profit margin, together with a relative unregulated business environment, which big tourism companies obtain operating in the global, and not only at the European and state-wide market, encourages them to show little or no interest in acting collectively at the supranational level. The CEU recognizes the above weakness of tourism industry to act as a collective actor with a clear identity and sees this as the major

reason for the failure of the industry to successfully pursue an increased role in EU policy-making:

"This (Communication) will contribute also to facilitate the establishment of a clear sectoral identity in the industry, which has been lacking in the past due to the fragmented nature of its components, explaining in some way why in political terms tourism has been neglected as an employment creator." (COM (99)205 final: 4).

Papoutsis, by ordering studies from external experts and by organizing forums, seminars and events first tried to give the European tourism industry and his other potential policy clients --consumer, natural and cultural heritage organizations-- the opportunity to set up a common policy agenda, to identify common problems and to search for common solutions. He introduced the "green" policy idea of sustainable growth in tourism as a solution which reconciled green and enterprise and employment interests, which were often conflictual. In 1995, he launched, as a regular event of symbolic content, the "European Tourism and Environment Prize" in order to show "how important it is for the tourism sector to take account of the environment":

"Tourists flock to Europe from all over the world to enjoy the natural environment and discover the cultural diversity and heritage of our continent, our countries and our regions." (European Commission, *Europe goes green with the first European Tourism and Environment Prize*, IP/95/1267, Brussels, 21/11/95:1)

At the same time, as above-mentioned, the Commission tried to create a focal point for its role as coordinator, reconciliator and broker amongst the various positions of all the parties involved to tourism. It tried to achieve this through the introduction of the green paper. Prior the organization of this consultation process, these parties had never expressed, in an open and consistent way, their opinions on the role of the Union in the field of tourism. At the forum in Brussels in December

1995, which was the concluding event of this discussion over the green paper, the Commission stressed, in its presentation of the results of the forum, that despite disagreement over several issues, the vast majority of the participants agreed upon the desired role of the Union:

"The desired role of the Union is that of assisting the development of tourism, in other words, providing information and incentives, experimentation and evaluation and functioning as an active interface capable of contributing to preventing and solving problematic situations, eliciting appropriate responses of common interest, assessing their impact and providing their dissemination."
(Commission of the European Communities/ DGXXIII/ Tourism Unit 1995: 2)

In this way, the Commission tried to gain legitimacy to embark upon Union-driven policies to assist tourism, since this was a policy request of the majority of the players involved. As explained above, Papoutsis identifying, the failure of tourism interests to meet, discuss and organize around a common policy agenda with a Community dimension, tried to fill the organization gap and provide these interests by means of the communication and initial policy issues platform. In giving a strong Community identity to tourism community through an agenda of common problems and possible Union-driven solutions, the aim of the Commission was to raise tourism's prestige and policy leverage in the various decision-making centers at both the Community and state levels. In turn, an awoken industry could sensibilize the capitals to the idea that tourism matters have a Community dimension. Then, based on the principle of subsidiarity, member states could enable the Union and therefore the Commission, to act with policy instruments where these are needed, and the states themselves cannot act.

Through the continuous and extensive consultation procedures which Papoutsis

organized throughout his administration, first around the green paper and then the consideration of tourism mainly as a job-creation sector, he managed to increase awareness of a common identity amongst the players involved in the field of Unions' tourism affairs. Within this string of actions, in early 1998 he took the initiative to consult the member states and to establish the High Level Group on Tourism and Employment,¹²⁰ which was made up of the most eminent representatives of all the operating parties and policy makers in the sector. The aim of the group was to examine and propose to the Commission ways of promoting the competitiveness of the sector at the Community level. In its influential report to the Commission, the High Level Group on Tourism and Employment declared its support for an upgraded role for the Union in the field. The most important figures in the tourism industry and tourism policy-making appeared committed to the task of promoting Union-driven tourism- related policies to boost growth and employment in this sector:

"The direct commitment to this process by leading decision-makers in tourism from all the member states encourages us (the Commission) to continue to work together towards a wider political recognition of the contribution of tourism to growth and employment, and towards the development of a policy which reflects the importance of the industry." (The High Level Group on Tourism and Employment 1998: 3).

Awareness of a European tourism community seems finally to have taken root. In the same report the High Level Group also invited the Commission to institutionalize a meeting of the whole tourism community on a regular basis:

"with a view to ensuring a regular and comprehensive exchange of views on the

¹²⁰ For the composition of the Group see the preamble of the report published by the group on the economic impact of tourism and its potential for further growth (The High Level Group on Tourism and Employment 1998: 7), and also in the COM (99)205 final: 5.

issues involved, to organize an Annual Tourism Summit, involving entrepreneurs, employees' representatives, policy makers and public authorities, researchers and professionals in education and training." (Ibid.: 23).

Immediately after the publication of the report, the Commission disseminated its policy recommendations, thus opening a second phase of action in order to introduce the report as the common problem and policy-solutions agenda to all the interested players:

"The Commission opened a second phase of action designed to encourage public authorities, professional associations and tourism businesses to consider the problems raised in terms of their own experiences, and implement practical measures accordingly." (COM(99)205 final: 6).

The final step of this process was the issuing of the communication to the Council and the Parliament, "Enhancing Tourism's Potential for Employment".¹²¹ The communication provided, in a systematic way, policy recommendations based on the conclusions of the discussion over the recommendations of the High Level Group. One of the aims of this Communication is to provide the tourism industry with a well-defined policy agenda in the hope that: "this will contribute also to facilitate the establishment of the (so far missing) clear tourism sector- identity." (COM(99) 205final: 4).

However, despite the success of the Commission in bringing the various fragmented, and to some extent, conflictual interests operating in the field of European tourism under the same policy agenda, at the end of the Santer administration tourism continues to lack a common vision among all the member states. These continue to

deny to tourism political recognition for a potential role and place in the construction of Europe. The top-down exercise of the Commission to sensitize its potential policy clients and, through them, the member states, has only partially achieved its target. This may be explained by the limited power which tourism interests have within the national arenas. The fact that these interests have begun to feel that they have a European dimension in their identity certainly makes them more influential. However, it does not necessarily mean that they have become powerful enough to override other more influential interests and so become of a top priority for the national policy agendas. The starting point in national policy-making for these interests is clearly low, and therefore there is long way to go before they gain their political recognition. The next Commission clearly has at its disposal--should it happen to be as determined as its predecessor--a better organized consultation platform and a set of more aware potential clients-partners ready to pursue policy measures at the Community level to facilitate Europe's tourism.

The outcome of this analysis concerning the relationship between the Commission and its potential policy clients and the strategy followed by the Commission, is that the Commission emerges as having a pro-active role and tries more to shape rather than accommodate its clients' policy preferences. The Commission mobilizes resources such as demonstration projects (pilot projects for green, rural, cultural tourism etc.), organizes workshops and fora, sets up prizes, such as the Green Prize, to motivate industry to move in this direction, forms prestigious, high level consultation groups and orders studies from external independent experts, in order to

¹²¹ COM(99)205 final.

demonstrate the need for, as well as the legitimacy of, its proposals for policy innovation in the field and to promote its own potential role in the revised tourism policy-making.

The Role of DGXXIII

As already mentioned, tourism was dealt with at the Commission level by a special unit set up within DGXXIII, in 1990 in order to implement the projects for the European tourism year 1990 and the first multi-annual program 1993-5. In 1990, according to the "Establishment Plan",¹²² the staff of this unit consisted of 10 permanent members: three of them, including the head of the unit were grade "A" superior officers, while the other seven were auxiliary staff. To offset this lack of expertise, the Commission recruited a temporary member from an employment agency, attached three national experts to the Unit, and outsourced the technical management for projects of the European Year of Tourism from May 1989 to October 1990. The tourism industry, the European Parliament and Commissioner Papoutsis himself all stressed that the unit was understaffed and, without the adequate human resources, could not operate efficiently. The Committee of independent experts formed by the Parliament and the Commission ten years later to examine a number of allegations regarding mismanagement and fraud in the unit, arrived at the conclusion that the Commission should not have proposed these program to assist Tourism at all, since it did not have the human resources to implement them:

"The Commission proposed to the Council of Ministers the implementation of projects in which it intended to play an active role (for example EYT) without having the human resources needed to organize them." (European Parliament/Committee of Independent Experts (1999): 15).

Since the mid 90s, the Commission itself has accepted that the unit was understaffed and more human resources should be allocated to carry out tourism policy at the Community level. As I have discussed elsewhere, as soon as Papoutsis took office, under the pressure of allegations of mismanagement and fraud in the tourism unit, and in order to give an objective assessment of the efficiency and the performance of the unit in the implementation of the Action Plan 1993-95, ordered an evaluation to be carried out by external experts. Their report also raised the point of the poor performance of the staff: "There has been high staff turnover, a lack of tourism expertise, poor staff training and understaffing of the financial administration." (COM(96)166 final: 9).

However, Papoutsis stressed that the big obstacle was the lack of a clear definition of the policy targets of the Unit. Throughout this period it was the Council which was blocking the adoption of the various proposals for a coherent policy with clearly defined priorities and policy instruments to promote them. According to the Commission, the cause of the administrative inefficiency was, first and foremost, the vague scope of the policy, and then staffing:

"The widely diverging views of member states and European Parliamentarians on

¹²² For the composition and the structure of the tourism unit see the tourism section in the first report published by the committee of independent experts set up by the European Parliament and the Commission to examine allegations regarding fraud, mismanagement, and nepotism in the European Commission in March 1999. European Parliament/Committee of Independent Experts (1999).

how best to develop policy in this area, and the requirement for unanimity within the Council, made it difficult to maintain coherence within the Plan." (COM(96)166: 11).

Papoutsis followed a bureau-shaping and not a bureau-expanding strategy for the tourism unit. His intention was not to gain more human resources but, first and foremost, to provide a well-defined policy task for the administration unit and to change its structure. Despite the fact that there were voices claiming that the tourism unit was understaffed and the budget at the disposal of the Unit was very poor for the objectives specified in the plan, Papoutsis, aware of the unwillingness of some member states to increase the budget of the Union, did not make a proposal for more staff and resources. His policy proposals were based on the same magnitude of human and financial resources, but with different content. He never proposed a budget of more than 10 Million ECU per year for "philoxenia", which was the average annual budget of the European tourism year and the Action Plan 1993-5. In the course of his administration, the number of staff employed increased marginally. The average number was 16, but he changed its composition in favor of more permanent and less auxiliary staff: more specifically, 11 out of 16 were "A" grade level, and the ratio of permanent staff relative to total staff started at 5:17 at the beginning of the plan and shifted to 11:17 under his administration.¹²³

With his bureau-shaping strategy he tried to change the competence of the unit keeping the role of policy coordinator and project manager and reducing the

¹²³ The figures are taken from COM(96)166 final: 14 and checked for their validity in 1999, through the interview with L.Itzipeoglou, Brussels May 1999.

administrative load of the operations. In 1996, responding to the findings of the external experts on the functioning of tourism unit, the Commission claimed that a new organizational structure was needed which would review the administrative process in such a way that: "It will enable desk officers to devote more time to direct project management".(COM(96)166: 9). To achieve this, the Commissioner tries to allocate the burdensome tasks of financial administration and legal and contract affairs to other administration units exclusively set up for these tasks.¹²⁴ The outcome of this process was a unit with a more executive type of administration for tourism.

The Commissioner wanted for the new unit the role of privileged interlocutor between the various decision-makers dealing with tourism in the private and public sectors and with the rest of the departments of the Community which affect tourism through their policies. In this way, the unit and the Commissioner would gain more policy leverage by exclusively presenting the policy requests of tourism interests to the rest of the Community. As we have already discussed in the section on the position and strategies followed by the various tourism interests, there was no strong connection between the latter and the unit for tourism. Indeed, the majority of interests appeared to be unaware of the existence of the unit. It was through the consultation process for the green paper that the Commission was able, in a systematic way, to invite tourism interests to discuss the potential role of the Union and the Commission in a common and European-wide agenda. In this process, as I outlined in the section on the role of the Commission, the Commission expressed its willingness to play the role of interlocutor:

¹²⁴ Ibid.

"Could the Community play the part of information disseminator and act as an interface between the Union and the various parties concerned (member states, professionals, major organizations active in the sector, consumers, third countries and international organizations), thus allowing the member states to consult each other in liaison with the Commission and, where necessary, to coordinate their actions with a view to balancing the diverse interests at play in the field of tourism? If it could indeed play such a part, the Commission could also take any initiative it considered useful in promoting this coordination." (COM(95)97 final: 22).

The industry's representatives responded positively to this and bought this proposal, asking the Commission to take this direction irrespective of whether the member states decided to include the specific title for tourism in the revised Treaty of the Union in Amsterdam or adopt a coherent policy for tourism on the existing legal basis:

"We know there is no Union tourism policy [...] Also and even if there is no legal basis for tourism in the Treaty, we believe that the European Commission and the DGXXIII in particular, could do a lot more even at this stage to develop more effective, more regular, more in-depth consultation with the tourism industry. DGXXIII should be our point of coordination, it should ensure that we avoid duplication of work and get involved when difficulties are created for the industry [...]. The function of the tourism unit in DGXXIII is essential here, primarily in order to coordinate and play an influencing role with the other Directorate-Generals, to get them to consider tourism in all actions." (Commission of the European Communities/DGXXIII/Tourism Unit 1995: 4, 7).

Having the backing of the various tourism interests, which had been sensibilized by him, Papoutsis tried to promote the restructuring of the unit on tourism, which had fallen in disrepute, and to turn it into a respectable unit with a prominent and influential role close to the policy-making centers whose decisions may have an impact on European tourism. His proposal to the college of the Commissioners in

January 1996 was to upgrade the unit to a directorate. However, despite the support given by President Santer, he could not overcome the problem of the unit's bad reputation. President Santer convinced Papoutsis that timing was not right for such a movement, since the Belgian police and justice were in the middle of their investigations into fraud in the existing unit.¹²⁵ However, they found a compromise: the Commission decided to change the structure and the name of Direction C, in which up to this time, the unit for tourism had been located, and to incorporate "tourism" in its new title under a rather vague title. The new title of the directorate was "Concerted action under enterprise and tourism policy". In this way tourism gained the status of a directorate without provoking Europe's public opinion as some various Parliamentarians and other parties in Brussels had predicted.¹²⁶ The structure of the directorate contained a new unit called "concerted action, coordination with relevant Community policies and better access to support programs". It had the task of getting involved in all the interservice consultations of the Commission which discussed policy measures with a possible impact on tourism and of raising the awareness of the decision makers by presenting the position of tourism interests. Another new unit, with the title "Concerted action and facilitating better access to sources of funding", was set up to provide a help-desk for the tourism industry in searching for Community financing for its investment projects. By means of these new units next, along with the original unit in charge of the Action Plan, the administration attempted to earn its role as privileged interlocutor between tourism interests and the other departments of the Commission.

¹²⁵ I obtained the information on the atmosphere in the College by interviewing the chief of Papoutsis' Cabinet, in Brussels in March 1996.

At the end of his administration, Papoutsis introduced a further restructuring of the directorate with regard to tourism. In the five years of his administration, Papoutsis managed to raise the prestige and the political recognition of tourism as a policy of increased importance for the Union. Despite the fact that this recognition was not enough to convince all the member states to adopt a higher profile policy to assist tourism in the Union, the policy-making with regard to tourism sector has developed a strong and visible Union dimension. The Directorate for tourism has developed a regular communication and consultation role with the various private and public parties involved in tourism affairs. Following his piecemeal strategy for policy innovation, Papoutsis tried to capitalize on these changes on the level of the underlying factors and to further increase the profile of tourism within the Commission's administration. He proposed a new Directorate within DGXXIII exclusively dedicated and clearly stated to tourism named: "Directorate D: Coordination of Community measures, and concerted actions, in relation to tourism". Under the new favorable conditions, this was accepted by the college of the Commissioners. The title and the structure of the Direction reinforce the idea that there is coherent Community policy for tourism. Each unit corresponds to a specific policy objective of such a policy:

Unit 1: Development of tourism policy and relations with the industry, third countries and international organizations.

Unit 2: Stimulation of competitiveness in tourism.

¹²⁶ These are the same figures that later caused the resignation of the Santer Commission in 1999 after their accusations of mismanagement, fraud and nepotism in the Commission.

Unit 3: Promotion of tourist-consumer-interest and quality of tourism services.

Apart from the symbolic content of the titles, this structure constitutes administration units that have a clear task to promote these three clearly stated policy objectives through concerted actions. In this way, Papoutsis hoped to provide the future Commission with an administration that clearly signals that it exists to promote tourism interests at the Community level. At the same time, this administration, having a clear definition of its task in the structure of the Commission and a dedicated staff of executive level could act for its own bureaucratic interest and promote the further shaping of its competence pursuing a higher profile, Union policy for tourism.

From the above analysis, we see that the bureau-shaping strategy is not an outcome of the preferences of the top-officials of the unit, but a strategy designed at the cabinet level. It was Papoutsis and his staffers who had the vision for a Union policy for tourism. The tourism administrative division, set up just five years before Papoutsis embarked upon his intense effort for policy innovation in the field, with its few top-officials allegedly involved in fraud, and with no connections with their potential policy clients, could never have made a contribution to the dynamics of the process for the redefinition of the role of the Union in the field of tourism. However, the striking finding here is that the Commissioner, in order to promote his effort and to safeguard its continuity after his administration, tried to develop such a politicized and high profile administration for tourism, which may continue, on a permanent basis, this innovative policy activity.

The cabinet is engaged in a strategy to re-define the Union's tourism policy and to

enhance the competence of the administrative division in charge of this policy. Since tourism is influenced by a large number of policy measures undertaken by other Directorate-Generals, the tourism direction has to compete with these in order to establish its role. However, tourism interests represent a small fraction of the policy clients of directions such as those dealing with environment, consumer issues, the structural funds etc. As a result, they do not feel threatened that they may lose important parts of their competence to the tourism direction. This may explain why, at the outset, most of the other Commissioners did not seek to block Papoutsis' proposals at the college level. There were only few voices raised against the first proposal made by Papoutsis for the restructuring and the upgrade of the administration, using the argument, outlined above, that it was not the right timing. Therefore, in the case of tourism, the various departments do not experience competition over the definition and monopolization of the tourism policy domain. Tourism does not, it appears, have the appeal to make other DGs become involved in such a competition, and the existing administration does not have the structure, the strength or the political and interests backing to raise its voice in the course of interservice consultation. The Papoutsis administration, however, tried to create all these conditions in order to kick-start a dynamic process, where the restructured Direction for Tourism would compete, as I expect according to my theoretical hypotheses for the strategies followed by the Commission's top-officials, with other departments, and will try to have a say and incorporate a tourism dimension in other Union policies which may have an impact on tourism.

The internal restructuring and the upgrade of the Direction for tourism would also seem to be in accord with the relative hypotheses of my theoretical framework. The

Direction wants to become the privileged mediator involved in the coordination of prestigious mediations and project management activities. The policy output pursued is the same as in the case of maritime industries and in keeping with the arguments of my theoretical framework. The role pursued for the Direction of tourism is of an executive type with a minimal administrative burden, rather than a labor-intensive classic bureaucracy. It was for this reason, as we have seen in the proposed and adopted restructuring of the Direction for tourism, that Papoutsis proposed the transfer of all the burdensome financial and legal administrative duties to other units. We have seen that they do not search for more staff and an increased budget, but rather for more executive type of staff. We notice also the pro-active role of the cabinet, which tries to shape the policy preferences of tourism interests, using various methods such as the channeling of information and the dissemination of the opinion of experts favorable to its proposals by means of case studies and workshops. Through its units, the Direction is designed to become the privileged mediator between the various tourism interests and the rest of the Community services, and to be involved in the coordination of prestigious mediations and project management activities.

Conclusions

The puzzle I tried to solve using the proposed analytical framework was how and why Commissioner Papoutsis, in charge of tourism affairs for the Union, with no strong industrial interests behind him, with most of the member states indifferent if not against his initiative, and with an administration with a seriously damaged image, embarked upon a process of policy innovation which seemed, from the beginning, doomed to fail. It is on this policy initiative that I concentrated my research with this case study. I examined the way a policy innovation process "behaves" when there is not strong interest support and it is not backed by an administration with a long history and a well-established position among the various players involved, as it was in the case of maritime industries. In this second case study, the driving force of policy innovation appears to be solely the Commissioner and his cabinet staff.

Following my theoretical framework, I examined the position of what this framework regarded as independent variable that is the pattern of interaction between the various involved administrative departments and their policy clients and external suppliers. In the case of tourism, this structure consists of various societal actors operating in both the domestic and the Community arena, namely tourism industry interests, tourist-consumer interests, environmental and cultural heritage interests, and the Commission's top-officials involved in tourism matters.

I examined the policy positions of the member states together with the policy preferences of their various public authorities which appear to have a say on tourism

affairs, as they are produced through the above described structure of interaction in the domestic arena. In this way I examine the theoretical argument for the level of salience of tourism in the domestic arena is corroborated. I see whether there was a policy failure at the domestic level which could work as a challenge for new policies at the Community level.

I identified Commissioner Papoutsis and his cabinet as the policy innovator, and I examined. More specifically, I examined the arguments for the motivation of the initiators and the policy output pursued and achieved by them. In order to understand the dynamics of this innovative policy involvement, I tested my theoretical hypotheses for the strategies followed towards the players involved by the Commission's top-officials and the likelihood of success under the relatively underdeveloped structure of interaction which acts as the explanatory variable.

Regarding the motivation of Papoutsis and his cabinet, I see that the theoretical arguments for the profile of the Commission's top-officials who act as policy innovators appear to hold. According to these arguments, the motivation of the Commissioners to embark upon policy innovation is directly linked to their personal career ambitions as politicians, their ideological and political beliefs in the role of public authorities (more or less interventionists), and is also influenced by the policy priorities of their national domestic agenda.

Commissioner Papoutsis is an active politician, a member of the European Parliament for 8 years, and a prominent member of PASOK, the Greek socialist party which has

held office since 1981. He is a young, very ambitious politician who saw his post in the Commission as a step to provide him with a higher international profile, a necessary element for his ambitions to become a challenger for the leadership of his party. After his session in the Commission he went back to the domestic politics in Greece and elected member of the Greek Parliament and appointed as minister for first time in his career. His profile made him, as a Commissioner, keen to pursue policy innovations which would give him both prestige and a reputation as an effective and innovative policy-maker. He also wanted to pursue new policies which would help his country, for the obvious reason that he wanted to go back to domestic politics. As already noted, tourism is a sector of central importance to the Greek economy in terms of balance of payment, volume of returns and employment. At the same time, as a socialist, Papoutsis is more sympathetic to redistributive policies and regards tourism as an excellent instrument for reducing regional disparities and increasing the economic and social cohesion of the Community. Considering this evidence, it is easy to understand why Commissioner Papoutsis proved so motivated and active in pursuing a European driven policy for tourism.

Tourism was never a high profile policy within the national arenas, and in most countries there is not a specific ministry in charge of tourism affairs. Tourism is dealt with at the lower levels of governance. According to my theoretical framework, the fact that public opinion in the member states is not sensibilized to matters of tourism, may provide scope for invisible-bureaucratic politics on the part of the various administrations involved. Within this environment, the Commission seems to have the degree of freedom and the space to act as broker of best policy practices and as policy innovator with an increased possibility of success. This theoretical argument has been

made robust by the observed continuous and intensive attempt of the Commission to establish, at the Community level, such a role, founded upon an upgraded administrative direction for tourism, sufficiently empowered to fulfill its new task.

The analysis on the position of the member states in the course of the efforts made by Papoutsis to promote innovations in tourism policy at the European level, revealed the level of complexity underlying the position of the member states. This position is the equilibrium point of the policy preferences of a number of actors operating within the state arena. Initially, the member states appeared polarized on tourism matters, and the game at the Community level resembled the proposed theoretical structure of a chicken game. In this structure, it is argued that, since the leaders of the states are not constrained by their public opinion, through invisible politics the Commission may promote a policy compromise, which constitutes a policy innovation in the field. In order to do this, the Commission tries to make the initial positions of the member states converge by channeling relevant information on the positive effects of such a decision, by promoting issue linkage, and by making strategic use of the management of the negotiations in order to achieve a more favorable timing for the initiative. It has been demonstrated that the above argument holds. Throughout the process, the Commission regarded the position of the member states on tourism matters not as fixed but as open to change. It was the belief that the initial constraints were flexible and may be relaxed which led Papoutsis to try his piecemeal policy strategy, despite the very negative starting point.

The outcome of the analysis concerning the relationship between the Commission and

its potential policy clients and the strategy Papoutsis followed is that the Commission had a pro-active role and tried to shape more and less to accommodate the policy preferences of its policy clients. The Commission mobilized resources such as demonstration projects--pilot projects for green, rural, cultural tourism etc.--organized workshops and forums, and sets up prizes, such as the Green Prize to motivate industry towards this direction. It also formed prestigious high-level consulting groups, ordered studies from external, independent experts in order to show the need for, and the legitimacy of, its proposals for policy innovation in the field and the role which the Commission could play in the revised tourism policy-making.

The underlying factors which were recognized by Commissioner Papoutsis as windows of opportunity to pursue policy innovations for tourism at the Community level were twofold. First, there were a number of reasons which can be attributed to structural changes in the demand and supply side of the tourism industry. The adjustment to these change which industry was required to make could also be supported by a Community-driven policy which would be complementary to national policies, which also had to be reorganized and to carry a part of the burden. The second set of reasons for which a Union-driven policy could be established was related, not to policy failures due to structural changes in the tourism industry, but to the possible use of tourism by the Union as an efficient instrument to promote broader common objectives, such as environmental protection or the creation of a European identity for the citizens of the Union, set exclusively with the revised Treaty of the Union in Maastricht in 1992. The later set of arguments justified a more interventionist role to the Commission than the former one. I observe that my argument stated at the macro-level, that a policy failure at the state level constitutes a

window of opportunity for the Commission to embark upon policy innovation in the field holds as a necessary condition. However, I could argue that in the case of tourism, Commissioner Papoutsis, in order to promote policy changes in the field, expanded the definition of policy challenge beyond the borders of the failure of existing national and Community policies to tackle structural changes in the specific policy domain. He incorporated a positive dimension in the concept of policy challenge, namely, that policy change is needed to serve new policy objectives set by the states.

It should be noted that what are defined by the Commission as challenges for policy innovation at the Community level are not necessarily seen as such by the other parties involved in the politics of tourism. As we have seen, the Commission embarked upon a piecemeal, top-down policy strategy to convince the member states, the industry and the other parties interested in tourism affairs, that the above reasons constituted a justification for a Community-driven policy.

Papoutsis opened the widest possible discussion and consultation procedure, asking all the private and public, national and supranational, players in the field of tourism, to take a position on which type of policy was needed at the Community level. This process was used both to shape the preference of the players towards a Community driven policy, and, at the same time, to enable the Commission to measure the policy cost of this top-down innovative policy enterprise.

The guide to this policy innovation strategy was the level of hostility expressed by the

member states, since the industry and the other institutions of the Union were in favor. In the case that the cost for the maximum target was prohibitive, due to high hostility, then elements of a comprehensive policy to assist tourism would survive within a multi-annual minimum policy program, since there would be less hostility to such a low profile proposal.

It has been shown that the Commission pursues the maximum scenario, but not, however, at any cost. It introduced the alternatives in the consultation procedure, while trying to create a focal point around the maximum scenario, which involved a commitment to a comprehensive policy program with a higher to the existing profile. Its piecemeal strategy was, from this point on, to help the other parties to arrive at this focal point. However, the Commission was ready, counting the cost, to modify its policy proposal in such a way as to finally achieve at least a minimum European policy for tourism. Its aim was to maintain the communication channel among the players, and to prepare the ground for future policy innovation in the field when the policy environment became more favorable, thus reducing the cost of carrying out the policy.

The above findings are in accord with the type of nested games described in my theoretical framework, where the institutional players involved have strategies on hand to both shape and also to accommodate the policy preference of their policy clients. According to the theoretical framework the strategy followed depends on the cost of the preference shaping strategy. This cost depends on the extent that the policy clients are determined to pursue a pre-established policy request, on the cost of

opportunity that the “policy entrepreneur” has to follow alternative innovations in other policy domains, and on the resources --both human and financial-- that are available and that the player is willing to devote to achieve the policy innovation. This theoretical framework fits perfectly with the observed piecemeal strategy by which Papoutsis cats pro-actively, pursued policy innovation and tried to shape the preferences of his policy clients around his proposals. These proposals may rank from a minimalist to a maximalist version of innovation depending on the reaction of the member states throughout the process, since it is the member states who are the decision-makers at the upper level of the game’s nested structure, where intergovernmental bargaining under unanimity occurs.

In this effort to promote policy innovations in the field of tourism, the Commission pursued for itself the roles of policy coordinator of all national and other Community policies which may affect tourism, of the broker of the best practices in the field and of the privileged interlocutor with all the parties involved in policy-making. It aimed to channel the policy demands to the right level of governance, and to fine tune the conflictual policy preferences, such as consumer, natural and cultural heritage protection vs. growth and employment interests, through the concept of sustainable development. These findings make corroborate the argument that the target of the "eurocrats" is to become mediators, and brokers and to move closer to the centers of political power where decisions are taken.

It is noted that, in the case of tourism, the dominant strategy deployed amongst the various departments was not competition over the definition and monopolization of

the tourism policy domain. Tourism apparently did not have the appeal to make other DGs to get involved in such competition, while the administration as it existed then, did not have the structure, strength and interests backing to make itself heard in interservice consultation. However, Papoutsis' administration tried to create all the conditions necessary to kick-start the dynamic process. The restructured direction for tourism could then compete, expected from my theoretical hypotheses for the strategies followed by the Commission's top-officials, with other departments and seeks not only to have a say in, but also to incorporate a tourism dimension in other policies of the Union which might have an impact on tourism.

The internal restructuring and upgrading of the direction for tourism appears to be in keeping with the relative hypotheses of my theoretical framework for the strategies followed. The tourism direction wants to become the privileged mediator involved in the coordination of prestigious mediations and project management activities. The pursued policy output is the same as in the case of maritime industries, and, again, in keeping with the arguments of my theoretical framework. The role pursued by the direction of tourism is of an executive type with the minimum administrative burden rather than that of a labor-intensive classic bureaucracy. It was for this reason, that Papoutsis, in the proposed and adopted restructuring of the direction for tourism, advocated the transfer to other units of all the burdensome financial and legal administrative duties. We saw that, the direction did not seek more staff or an increased budget, but argued instead for more executive staff. The direction is designed, through its units, to become the privileged mediator between the various tourism interests and the rest of the Community's services, and to be involved in the coordination of prestigious mediations and project management activities. This is the

preferred policy output for the Commission's top-officials since it provides them with prestigious and influential positions closer to the decision-making centers.

We also noted the pro-active strategy of the cabinet, which tried to shape the policy preferences of the interests involved, using various methods such as the channeling of information and the dissemination of the opinion of experts favorable to its proposals obtained through case studies and workshops. These studies such as the assessment of the action plan 1993-5 were ordered by the Commission from external experts, in order to strengthen the objectivity of political decisions which had already been taken. The use of experts is selective and depends on the needs of the Commission's innovation strategy. Thus, all the studies and workshops, the high level group for tourism and employment, and other high profile groups organized by the Commission for the discussion of the role of the Union and of the Commission in particular, were in favor of an active role in tourism, close to the maximum scenario. The timing of the issuing and dissemination of these studies and discussions was decided by the Commission in order to help create of a favorable atmosphere for the Commission's proposed innovation. This finding is in accord with the hypothesis of the theoretical framework that the Commission's top-officials try to maximize the inputs from the side of experts to the extent that they support a decision which has already been taken or specify it within a set of pre-defined general policy guidelines.

The foregoing failure of the Commission to convince the Council to adopt a coherent policy framework for tourism showed, once again, the interactive nature of EU policy making. In this environment, the fact that a player, in our case Commissioner

Papoutsis, acted as a preference shaper, did not guarantee the success of the effort. It is clear that Papoutsis played a pro-active role, using various methods to promote policy innovation in tourism. He tried to shape the policy environment and to lead it to accept his policy proposals. He tried to mobilize policy resources such as industrial interests, and experts, and to create a strong European policy identity for tourism. His strategy, although it did not lead to a new European policy for tourism, however, did have a strong institutional impact. In almost five years of intensive effort, the Commissioner managed to create a European policy community for tourism, which identified itself as such and which has its own regular meetings and a common policy agenda. There is an upgraded administrative division at the level of directorate in the Commission with a clear job-description and the organizational design to pursue concerted policy actions in favor of tourism at the Community level. It is clear that the European tourism community, formed top-down, now has a solid grounding and clear policy objectives to pursue in EU policy making.

According to the theoretical framework tested with this case study, a condition which may lead to a policy change is that the majority of the clients of the policy challenge its definition and start calling for a new one. If the structure of interaction between the Commission and policy clients and suppliers is well developed, then the likelihood of the adoption of the new policy is high. The poor result of Papoutsis' innovative strategy may be explained with the help of the above hypothesis. Despite the efforts made by the Commissioner to develop this supportive structure where tourism related interests could converge and back his attempt to challenge the status quo to this extent that would have allowed the Commission to introduce its proposed policy scenarios. However, this is a dynamic process, and the nested game played in another, more

favorable policy context, supported by the strengthening of the awareness of tourism interests and the dynamics of their upgraded institutional organization, may allow the member states to produce the new policy for tourism that they seek at the Community level.

Consequently, as far as the theoretical framework is concerned, its explanatory power seems to be high, since it manages to provide a good understanding of all the elements in the dynamics of the institutional involvement of the Commission in pursuing policy innovations in tourism affairs.

CONCLUSIONS

In the concluding part of this thesis, I present the outcome of the comparative examination of the empirical findings with regard to the proposed theoretical explanadum of the dynamics of the Commission's involvement in policy innovation activities. The tested hypotheses concern the structure of interaction between administrative and societal interests, how this influences the strategies followed--top down or bottom up--by the policy innovators, the possibilities of success of the undertaken innovative initiatives. We also examine whether the main theoretical arguments concerning the motivations of administrative interests, the necessary conditions for the Commission to embark upon policy innovation through bureaucratic politics, and the policy outputs pursued by the innovators are corroborated by the empirical findings.

This research was structured in case studies which not only move from the general to more specific--the cases of DGIII industrial policy and, more specifically, its policy for maritime industries--but also allow for variations in the dependent and independent variables--the cases of maritime industries and tourism. Through this variation in the structure of policy preferences of societal actors and administration's top-officials, I examined and refined the validity of the proposed theoretical arguments for the involvement of the Commission in the Community policy-making. This choice was necessary in order to examine how the theoretical framework behaves under different conditions and in order to obtain a high level of confidence for the generalization of the results of this test.

According to the theoretical framework tested with this thesis, the possibility for a proposed policy change to take place is very high, when the policy clients of a public policy provider recognize a policy failure at the domestic or Community level. Examining the empirical findings in the cases--maritime industries and tourism--the above condition appears to hold. However, it has been shown that this does not constitute a pre-condition for the Commission to start acting as a policy innovator. In both cases, the policy innovators were pro-active in mobilizing resources and following specific strategies to demonstrate the policy failure and sensitize their policy clients to it. Moreover, in the case of tourism, in order to create the conditions of a policy challenge, Commissioner Papoutsis expanded the definition of policy failure beyond the borders of the effectiveness of running policies to incorporate structural changes in the policy domain. He incorporated new policy objectives indirectly related to tourism, such as the creation of a European identity for the citizens of the Union, which could be served by new policies in the field of tourism. In any case, it has been shown that the awareness of the actors involved that there is a policy failure is not a given pre-condition, but part of the conditions which the policy innovator has to create in order to achieve his/her target of bringing about a new policy in the field.

It has been shown that, when a policy issue is of low salience in the domestic arena and a department of the Commission expresses a high interest in embarking upon policy innovation in the related field, then the policy-making which occurs resembles bureaucratic politics as it is defined in this dissertation. The policy target of the

Commission's top-officials is to re-shape the competence of their portfolio in order to maximize their utility derived from their participation in the policy-making process. I showed that the top-officials of Commission --Commissioners and executives-- are motivated to, but also constrained in pursuing policy innovations in the field by their own public policy system of values (more or less interventionists etc.), and the policy preferences of the bureau's external environment. They follow strategies to both shape and accommodate the preferences of their policy clients. I demonstrated that policy innovators decide the extent to which they will follow preference-shaping strategies by taking into account the cost of advocating their proposals for policy innovation. They change these proposals according to the cost, as demonstrated by the cases of official and unofficial consultation with maritime industries, the maritime task force on R&D, and of piecemeal strategies in tourism.

As for the strategies of top-officials, which constitute one of the elements of the project's dependent variable, I observed that, when the structure of interaction between the various involved administrative departments and their policy clients and external suppliers the administration, the independent variable, is well developed and it has a long history, as in the case of DGIII (industry), the dominant strategy of the top-officials towards their colleagues of the other involved administrative units is the proposed oligopolistic competition amongst potential challengers and incumbents in order to reshape their competence and maximize their own utility function. The battleground is the area of interservice consultation, as we see in the case of the definition of the terms of reference for the maritime task force, the OECD negotiations for shipbuilding etc.

In the case of weak organization, as demonstrated in the case of tourism, the participation of the tourism unit in interservice consultation and the competition with other administrative units over the definition of tourism related policies is the sought-after element. The Commissioner for tourism, acting as policy innovator in the field, recognizes this element as essential in promoting his policy proposals for new Community policies in tourism. For this reason, he tries to develop, within the Commission, an administration dedicated to tourism and enabled to compete in interservice consultation and to earn its role as the leading administrative department in defining and carrying out the tourism-related Community policies. Overall, it could be argued that, even in the cases where oligopolistic competition over the definition of a policy issue does not occur, this element is required in order to promote the innovative activity those who initiate such a policy. As we saw in the case of maritime industries that, when top-officials participate actively and compete with their colleagues from other DGs in the interservice consultation, the possibility of a policy change occurring is higher than when such a policy-making element is absent, as was the case for tourism.

As far the strategies of the policy innovators- bureaucrats towards their policy clients socio-economic interests concern, the comparison between the case of tourism and maritime industries shows that interests participate in the drafting of the policy agenda according to their level of organization, but they do not determine it. Clearly, top-officials both accommodate and shape the policy preference of their clients. When there are vested interests with high policy leverage in the domestic arenas--

shipbuilders and shippers for example--and they back a proposal for policy innovation, then the likelihood of this proposal being adopted is higher than in the case, such as tourism, where such a structure is absent. However the coordination of such lobbying across the member states and the Community institutions to promote innovative proposals proved to be difficult to organized. The Commissioners and the executives of the Commission appear to take on this role of moderator in the process. They try to mobilize these institutions--through the maritime forum, the tourism forum and the high level panel, for example--and to create a policy momentum for change.

In both cases, with regard to the strategies followed towards their potential external policy suppliers, the policy innovators selectively used external experts, such that the proposals of the latter fitted the policy targets of the former to reshape their own portfolio and to maximize their utility. In none of the cases did experts produce reports or studies which challenged the policy guidance already issued by the Commissions' top-officials.

With regard to the type of policy output pursued, I conclude that budgetary instruments were not popular outputs in either of the cases. These policy instruments faced massive hostility from the state policy-makers. These policies requested transfer of financial resources, and therefore power, from state-managed to Community-managed budgets (consider the case of the Council blocking the proposed multi-annual "philoxenia" program). The pursued outputs by the Commission's top-officials are, at most, policy instruments which increase their role in planning, policy guidance

(such as the maritime forum, the maritime task force in R&D, and the "philoxenia" multi annual tourism program) and project management (such as maritime R&D). They pursue policies which give them the role of mediator and broker, as was the case of the OECD shipbuilding negotiations. They also pursue regulatory policies in the field of market externalities, such as the violation of competition law in the field of shipbuilding by state aid, environmental regulations in the field of maritime and tourism industries, consumer protection and so on. In this way, top-officials locate themselves closer to the centers of power in order to obtain higher profile roles and maximize their utility, as predicted by the proposed theoretical framework. From above findings I can expand the speculations over future types of policy instruments at the Union level. I could include the types of policies discussed above with the regulatory activity of the Union predicted by many scholars.

Overall, I could argue that the proposed theoretical framework appears to hold and sheds more light in the dynamics of the involvement of the Commission in the Community policy-making. In order to obtain a clear and consistent typology, I tried to gain from the good properties of game theory in presenting with clarity patterns of strategic interaction amongst purposeful actors. For this reason, I organized the theory review on a game theory approach. I followed a game theory approach to present the structure of policy-making of the Union. This structure is presented as a two-level game played simultaneously in nested policy arenas, the domestic and the Community arena. The use of simultaneous games played in nested arenas, appears to have provided a powerful tool of understanding the role of the Commission in the process at the macro-level. The decision to revisit the bureaucratic model of policy-making popularized in the 60s by Graham Allison and Anthony Downs and to incorporate

elements from the model of bureau-shaping bureaucratic politics proposed by Patrick Dunleavy, and elements of micro-economics, such as the concept of oligopolistic competition for explaining the function of top-officials within their administration, appears to work. This project demonstrates that this approach provides a workable micro-founded theoretical framework for understanding the dynamics of the Commission's involvement in Union policy-making. When tested against empirical material, the framework shows high power in elucidating processes and policy outputs observed at the macro-level, processes and outputs which cannot be understood through theories of liberal inter-governmentalism or which can only be partially explained through theories of neo-functionalism and neo-institutionalism.

Finally, I would like to locate this dissertation among the efforts made by many political scientists to provide falsifiable micro-founded, actor-centered, partial theories to explain specific puzzling policy outcomes at the macro-level. It can be seen as an exercise which aims at linking the micro and macro levels of analysis and providing a sound explanation for the policy-making observed at both levels. In this way, we can provide a theory of interaction of purposeful actor (individual, corporate and institutional actors) involved in public policy-making. This parsimonious theory is a powerful means to make the examined public policy-outcomes more predictable, and may also allow the involved public institutions to set up more effective strategies in pursuing their policy goals.

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