
Europeanization and Globalization: The Missing Link*

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Abstract

European integration theory is currently dominated by a debate about the role of domestic changes, state–society relations, and policy networks within Europe. This article seeks to contribute to this debate by dealing with what is understood as a generally poor conceptualization of the interaction between globalization and Europeanization. A framework is offered which takes account of the impact of globalization on the underlying economic structure and on European regulation. It is argued that only such a comprehensive approach can provide a greater insight into the development of European integration. These issues are addressed through the analysis of the common agricultural policy (CAP).

Introduction

For the European Union (EU), a crucial stage in its development seems to have been reached. After many years of economic integration, the idea has gradually matured that the EU itself – its constitution and organization – need a revision. With the approaching expansion of the EU, the discussion among European leaders about the constitutional shape and character of the EU took a more definite form in Nice in December 2000. Yet it is expected that the ongoing

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changes will not be limited to issues such as the political weight of the smaller Member States, but will also affect the different policy fields. The common agricultural policy (CAP) is a good example of a policy field which is subject to various criticisms and plans for reform in view of the changes ahead. It is often suggested that the enlargement of the EU, together with pressure from the World Trade Organization (WTO), are decisive factors behind these plans for reform. This kind of pressure is not new, however, and does not offer an explanation for the fact that more drastic reform has not taken place earlier, for example, in view of the enlargement of the EC in the 1980s, or the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) at the end of that decade.

In this article, it is argued that the study of these external forces alone does not lead to a full understanding of the reforms of the CAP. A more adequate explanation must include an analysis of the internal changes in the EU, such as the processes of interest formation and representation, as well as the development of state–society relations within the Member States. A framework is offered which starts from European integration theory.

European integration theory, just like the process of European integration, has made steady progress. At the beginning of the 1990s, scholars concentrated on the nature of European integration (for example, Green, 1993; Marks, 1992; Moravcsik 1991, 1993). Later, during the second half of the 1990s, studies focused mostly on the impact of globalization on European integration (Coleman and Underhill, 1998), or on the linkage between internationalization and domestic adaptation (Hout and Sie Dhian Ho, 1997). More recently, the interest of scholars has shifted towards the impact of European integration on the Member States. This has resulted in a growing literature on the way European integration affects domestic state–society relations, and on the implementation of European policies at the national level, in sum, on the *Europeanization* of domestic processes, policies, and institutions (Schmidt, 1996; Knill and Lehmkuhl, 1999; Börzel and Risse, 2000; Risse *et al.*, 2001; Wallace, 2000).

Both approaches are part of an ongoing debate which is characterized by a rather broad consensus about the limitations of the traditional approaches to European integration theory. It has led to various attempts to integrate theories of other fields of political science into the analysis. Thus, for the study of the forces of globalization, European integration theory has been combined, for example, with elements of international political economy (IPE). Similarly, the study of the Europeanization of domestic policies has been enriched with elements of historical institutionalism and comparative politics.

This article seeks to contribute to this debate by offering a framework for the analysis of the impact of domestic and external factors on the nature of

European integration, as well as the Europeanization of domestic policies, politics, and polities (Börzel and Risse, 2000, p. 5). Hence, a framework is presented which looks at a better conceptualization of the *interaction* between European integration, domestic dynamics and external factors. In other words, whereas some scholars look at the relationship between globalization and European regionalization, and others study the domestic effects of Europeanization, this framework deals with both. It goes beyond studies that restrict themselves to the analysis of Europeanization, and argues that in a policy field such as the CAP, an analytical distinction between globalization and Europeanization would compromise the significance of its findings. Therefore, in order to understand the sources of domestic change, in this article the process of European integration is placed within a global context. The effects of changes in the global economy are examined at the European and the domestic level. These issues are addressed in an analysis of the CAP.

The common agricultural policy, being one of the most highly developed European policies, has for a long time been regarded as one of the cornerstones of the EU. Its inception was, certainly from an administrative point of view, an important step in the process towards European integration. Moreover, during a period of more than 30 years in which the CAP has been in force, this policy has contributed to the prominent position which European agriculture has gained in the world. Important changes have been introduced in agricultural production, self-sufficiency has largely been achieved, and the EU has turned from a net importer into a net exporter for the most important agricultural goods.

Over the years, the positive role of the CAP has increasingly been questioned. Criticism has focused on the negative side-effects of the modernization of agriculture as fostered by the CAP. For instance, conflicting interests between the agricultural and the industrial sector at both the regional and national level, as well as the influence of different trade blocs on national foreign policy have created competing objectives. The highly protectionist measures of the CAP have led to several conflicts with third countries over trade in agricultural goods of which the friction over GMOs and hormone treated beef are the most recent. Harsh criticism has also been directed at the impact of agricultural production on the environment, and on the budgetary strains caused by the high level of agricultural support. The latter is currently causing the greatest concern. It is argued that the CAP budget, which is already considered to be disproportionate to the size of European agriculture, and which, due to the BSE crisis, is to exceed the financial framework agreed by heads of government two years ago, will become unsustainable when eastern European states join the EU. Thus, the CAP continues to present an important element in the process of European integration – be that a positive or a negative

one – which is also reflected in the numerous studies on the CAP by scholars of European integration. This article offers an alternative approach to the ones presented in those studies by focusing on the impact of globalization on the CAP via the domestic level.

The article starts with an analytical framework (Section I). It continues with an overview of the way in which the process of globalization and related changes in regulation impact on European agriculture in general (Section II). In Section III, it is shown that, as part of the process of globalization, tensions in production and regulation emerge which affect the relations between state, institutions and interest groups within the Member States. In Section IV, the link between the national and European level is discussed through a focus on changes in national models of interest intermediation and the European level. Two outcomes are important: a change in Member State preferences and a shift in interest representation.

I. The Missing Link in Theory

In order to study the changes in the CAP and its role in European integration, a framework is offered which starts from a political economy analysis, and which includes formal and informal interests with respect to the CAP.

Most studies of the CAP deal with only one of these elements and lack a satisfactory analysis of the link between the European and national levels. The majority focuses on the formal part of the decision-making process. In that literature, factors such as access and the degree of organization of interest groups are considered to be crucial for the ability to influence the decision-making process. In general, the authors applying this approach (for example, Josling and Moyer, 1990; Tracy, 1989) point to the greater cohesion, resources, and improved organization of modern agricultural lobbies at the political level as an explanation for the strong role of farmers in spite of a loss in numbers. Some authors have made refinements to this type of analysis. Keeler (1996), for example, has added interest groups, such as environmentalists and consumers to the analysis. He points to the asymmetry in influence between French farmers and consumers/taxpayers in favour of the first group, due to the positive image which farmers have managed to shape in public opinion. Another refinement is made by Patterson (1997) who approaches the CAP through a multi-level analysis, where interest groups can be active at different levels of decision-making, but depend ultimately on the Commission.

Another type of analysis focuses on the role of the Member States. It is based on a liberal theory of international politics (Moravcsik, 1997) and presents a model of intergovernmentalism in which the largest Member States in the Council of Ministers decide the outcome of the negotiations (Moravcsik,

1993). It is argued that the outcome of the CAP is a compromise between the preferences of Member States, and that a change in those preferences will be reflected in reform of the CAP. The struggle for a certain preference is conceived of as a multi-level game in which governments play (negotiate) at different levels (Paarlberg, 1997).

In this article, it is argued that the elements of the complex CAP process analysed through the above approaches – either focusing on farmers' lobbies or Member States – are important but do not tell the whole story. Policy outcomes are not explicable simply in terms of the relative power of farmers' interest groups. Neither are the European politics of agriculture only determined by the balance-sheet of the individual situations and goals of Member States. Instead, the field of action of, for example, farmers is increasingly determined by international economic developments. Moreover, trade patterns impacting on the CAP can also be influenced by the most effective competitor, the farmer or food processor, and not the nation, to the presumed advantage of the individual consumer buying food, while Member States are united in a free-trade perspective. Finally, the analysis of the role of Member States in the policy process should not be limited to their preferences in the European Council. Rather, the changes in Member State preferences as related to domestic structural changes and developments in domestic state–society relations need to receive more attention.

In order to deal with these issues a framework is presented within which the different elements of the general phenomenon are explained by more specific theories. The analysis focuses on the CAP process and is based on a set of assumptions: firstly, the development of a European polity takes place at various levels and is affected by forces of globalization. Globalization impacts directly on the European level, and indirectly via the national level. Secondly, the reactions of the various actors in the CAP process to the forces of globalization and related changes in regulatory systems affect the way in which the power configuration develops among them. There is a certain equilibrium between the different actors, which is disturbed when the power configuration among the actors changes. This is caused by a crisis or a change in the underlying structural forces and resulting changes in regulation, shaping the interests. These trends, which can be contradictory, contribute, not only to increasing differentiation among the actors, but also to new forms of coalitions. A disruption of the equilibrium among the actors at the Member State level can have two outcomes which are significant for the process of European integration: a change in Member State preference and a shift in interest group activity from the national to the European level. In the latter case, the analysis focuses on the extent to which member governments, while still of importance, become one among many subnational and supranational actors at the European level.

The framework draws on regulation theory. It offers an approach for the study of state–society relations, and for the shifts and their causes in these relations. One of the main contributions of regulation theory is that it integrates the role of political and social relations (state actions, legislature, and societal institutions) into the global economy and its phases of restructuring. This integration consists of the accommodation, mediation and normalization of crises in the process of capital accumulation through mechanisms of social regulation. Regulation theory is particularly concerned with the way in which the adaptation of those political and social relations to these crises alter the forms and mechanisms through which production processes and production groups establish themselves in society. The state is understood as the arena for competition among various factions of capital which have different, and often contradictory, political and social interests (McMichael and Myrhe, 1991, p. 85). The outcome determines the nature and degree of regulation. Besides its role as an arena of political struggles, the state is a regulatory actor serving the dominant capital faction. It is, thus, an important strategic force in social regulation and plays a major role in securing regulatory systems (Jessop, 1990, p. 1).

The framework goes beyond regulation theory in that it focuses not only on changes in production and its representatives, such as farmers and agro-industries, but also on consumption, hence consumer groups and environmental organizations, and certain forms of state, as well as non-state regulation, such as the political construction of markets and the development of consumption norms. Furthermore, it pays attention to the relationship of interdependency between interest groups and the bureaucracy, and to the fact that civil servants themselves form a bureaucratic cast with definite privileges and an interest in protecting and expanding them (Cawson, 1986, p. 19). This enables an explanation of certain differences in regulatory systems among Member States which are not based on differences in the production structure.

The analysis of the impact of globalization on the European level starts at the Member State level. The study of the equilibrium among actors at the Member State level is based on the argument that the power of a certain group in the policy process at the national level, depends on the preference of societal actors as shaped by their situation in the international and domestic economy, on the link between decision-making and policy through functional actors, and on the structure of the state, its rules and institutions (Gourevitch, 1986). The impact of globalization and related changes in regulation on the Member State level is reflected in changes in the agricultural structure and a transformation in the relations between farmers' associations, the state and other institutions. The analysis addresses these relations and the dominance of certain interests at the national level through changes in the model of interest intermediation.

Interest groups – networks of associations designed to represent societal actors – are of considerable importance as linkages between government and society in order to facilitate the implementation and application of agricultural policies (Schmitter, 1979, p. 60).

Within the Member States these linkages in agriculture have for a long time been corporatist in character. That is, the social-political structure of interest articulation and policy formation has long been based on a political-economic consensus between interest organizations with a representative monopoly on the one hand, and the state on the other hand, in which organizations seek to discipline their members in return for participation in policy formation and implementation (Frouws, 1994, p. 47). These relations are based on an institutionalized exchange of benefits and services between the state and farmers' organizations.

The changes in the domestic corporatist model reflect on the European level. Thus, the link between the national and European level consists of the reaction of the actors to forces of globalization at the Member State level resulting in a change of the model of interest intermediation, and the consequences this has for the European level as reflected in a change in Member State preference on the one hand, and interest group activity on the other. A change in Member State preferences will have consequences for the outcome of the CAP, while a shift in interest representation will affect the role of the Member States in the European decision-making process with consequences for the process of European integration.

II. Historical Background: Globalization and Regulation

The most important premise in the analytical framework is that the reactions of the various actors in the CAP process to the forces of globalization and related changes in regulatory systems determine the way in which the power configuration among them develops. In order to understand their reactions, these forms of pressure on the actors must be studied.

The term globalization has become commonplace in the IPE literature. Here, globalization is understood as the spread of supraterritorial or trans-border relations within the capitalist economy, i.e. the causes and consequences of globalization are bound up with the dynamics of surplus of accumulation and the workings of capitalism, including in particular the activities of the state (Scholte, 1997, pp. 428–32). Globalization is not understood as a process which leads inevitably and only to the strengthening of market forces. Although this is considered to be an element of the process, it is expected that new forms of opposition contribute to the outcome of the process of globalization (McMichael, 1997, p. 645). The way in which this process intervenes

in the structure of European agriculture and causes its actors to respond is the focal point here. Two aspects of globalization are important: the global organization of food production and the development of global capital. The first must be addressed because it determines to a large extent how the actors in the policy process relate to each other, whereas the latter is taken into account in order to show the conditions for a change in these relations.

Globalization of Food Production

The development of a global organization of production impacts on the existing structure of production. In the agricultural sector this can be shown by looking at the food regime (Friedmann, 1993). The concept of food regime places international processes of agricultural restructuring within the different periods of capitalist accumulation. The first food regime started in 1870 in Europe and the USA. Against a background of the consolidation of nation-states, American agriculture changed in parallel to the European process of industrialization. This process was based on the increase of trade in wheat and meat, and the 'replication of European agricultural production – and industry – on a more cost-efficient basis appropriate to the large scale' (Friedmann and McMichael, 1989, p. 95).

The second food regime was characterized by the completion of the state system, together with the transnational restructuring of agriculture, and was led by the USA. The American model of production was designed as part of the New Deal and provided the initial context for the regeneration of US agriculture and its technological transformation. It aimed to ensure relatively cheap, abundant, and secure food supplies for the industrial labour force. At the same time, the industrial labour force was regarded as an expanding market for manufactured consumer goods.

The food regime is characterized by replication and integration. Replication means that the US model of both agricultural production and consumption, together with a policy of price support, trade restriction and competitive dumping, has been "exported" to other countries. This model was adopted by the EC in the 1960s. Integration has taken place in the form of growing connections especially between European and US agro-food sectors, via industrial inputs and processing, which has been facilitated through free trade of capital (Friedmann, 1993, pp. 36–7).

An important element of this process has been that agro-industries have taken over many activities from farmers. Leading chemical firms have strengthened their position on a global scale and in the food chain by mergers and acquisitions. In this way, 'crop development conglomerates' have developed in which the transnational chemical firms maintain links, not only with one or more plant breeding firms, but also with software firms and public research

institutes through take-overs and collaboration (Pistorius and Van Wijk, 1999, p. 118). A recent example is Novartis which is the result of a merger between the Swiss based company Ciba-Geigy with Sandoz in 1996 (Stewart and Johanson, 1999, p. 260). Another example is Aventis, a life-science company formed in 1998 by Höchst of Germany and Rhône-Poulenc of France which is now the second biggest pharmaceuticals group in the world, and the world leader in crop protection and animal health. At the same time, processing industries have started to diversify their activities within the food chain (Goodman, 1991, p. 44). Nestlé and Unilever, for example, do much of the distribution themselves, and Ferruzzi is not only involved in the trade of cereals and sugar, but has also begun activities in the chemical industry by buying Montedison.

In addition to increased concentration and transnationalization, agro-industries have been able to reduce their dependence on specific products and increase the possibility of substitution as, thanks to (bio)technology, durable foods can now be made from generic ingredients (sweeteners, fats and starches). The increased interchangeability of inputs has made processing industries less constrained with respect to agricultural producers, and has enabled the decoupling of agricultural production from final food production (Ruivenkamp, 1989; Goodman, 1991). At the same time, enlarged agro-industries have engaged in more fixed market commitments with chain stores. As a consequence, they have needed to increase their control over the quantity and timing of their transactions with farm producers through contracts with specialized and standardized farms. This is especially strong in the European poultry and dairy sector, in vegetable production for the canning industries, potatoes for processing, and sugar production, although the situation can differ among the Member States. In the Netherlands, for example, almost half of arable crops are produced under contracts with retailers. In this way, each retailer is able to control the quality of its own brand (Bijman *et al.*, 1994). In general, these processes of vertical integration have created a greater homogeneity in strategy between the vertically organized segments of a commodity chain and have reduced the choices of farmers.

Thus, the industrialization of agriculture has subordinated many farmers to emerging agro-food corporations, both as buyers of inputs, and providers of materials for food manufacturing. This is even true for farmers who participate in co-operatives. Co-operatives have also continuously been forced to be more responsive to the market. Consequently, they have come to pursue business interests, rather than the interests of their constituents. Furthermore, co-operatives have started to operate more and more on the international markets, imitating the behaviour of non-co-operative processing industries, and seeking to increase their market positions by diversifying their activities through

international mergers and investments (Nooij, 1994). Thus, for example, in France where farmers still formally control almost 50 per cent of processing, the co-operatives are also the largest internationally active in Europe (Arkadie, Cana, Socopa Sodiaal, and Unicopa) (Bager, 1997, p. 78). Besides the reduction in choice in production for farmers, agricultural products have changed from final to intermediate products and parts of agriculture have turned into commodity production on the basis of wage labour, while farming has become very capital intensive.

The process of restructuring in European agriculture is characterized by an increase in farm size, a decrease in the number of farms, and a strong specialization per farm. In France, for example, between 1970 and 1995, farm size has increased from 18.9 ha to 38.5 ha (*Agra Europe*, 1997). A major consequence of the trend towards fewer and larger farm holdings has been the remarkable loss of farmers and farm labourers. In addition, the restructuring process has led to an enormous increase in productivity and agricultural intensification. Wheat, maize, grain, poultry and pigs, especially, are more and more farmed under capital-intensive, factory-like systems where livestock converts feed grains into a meat product.

This structural change has not taken place without difficulty. As early as the 1970s, the increased replication and integration of the US model of production began to show problems. The growth of surpluses in countries which had adopted the model was the most important problem. Moreover, the developed consumption pattern which demanded more meat production required the involvement of other countries for the supply of fodder. The initial solution which was found for this combination of problems was to export surpluses and part of the production process to other parts of the world. Maintenance of the production model was only made possible by the supply of cheap raw materials, mostly from developing countries.¹

Global Finance

The development of European agriculture has depended heavily on capital provided by banks. Not only have banks supplied credit to primary producers for investments in new technology and equipment, they have also facilitated trade taking place on a wide geographical basis, and have fulfilled the function of financial intermediaries through which they could dominate the availability of capital.

With the supply of capital, banks have played an important role in the evolution from labour-intensive agricultural production to capital-intensive production. Moreover, they have considerably influenced the direction of

¹ An example is the importation of soyabeans from Brazil to the European Union for fodder in intensive stock farming.

capital investment through their selection of the (type of) farmers who, according to their criteria, were creditworthy. In this way, banks have been able to control substantially the type, rate, and direction of capital intensification in the agricultural structure which has contributed to the disparities among farmers. In addition, the credit function of banks has not only strengthened their own position, it has also played a central role in the consolidation of the industrial sector during its formative stage (Boyd, 1995). The impact of the huge supply of credit by banks has also been considerable with regard to the displacement of farmers out of production. By facilitating overproduction (with easy credit), prices decreased and forced independent small producers (in all parts of the food chain) in particular into a cost-price squeeze, and ultimately out of business (Boyd, 1995).

The position of banks was strengthened during the 1980s when a drop in the value of land changed the conditions for lending money (Marsden *et al.*, 1990). This meant that banks, rather than deciding on the basis of the total performance of a farm holding, supplied loans for specific purposes. It increased their influence on the direction of investments, and consequently on the characteristics of the restructuring process in agriculture. With the internationalization of production which was made possible by technological change, capital in the form of credits, insurance and other services, was able to go beyond geographical borders. Consequently, a global network of capital has developed.

This network is characterized by a global organization of credit based on two elements. Co-operative banks have extended their services beyond the agricultural sector or have been taken over by non-agricultural banks leading to a preference for market liberal policy models (Coleman and Grant, 1998). In the UK, for instance, the Agricultural Mortgage Corporation (AMC) was bought by Lloyds Bank, a major clearing bank, in the early 1990s (Coleman and Grant, 1998, p. 234). Related to that, banks have extended their services to other countries. For example, Rabobank, the second largest bank in the Netherlands which supplies around 90 per cent of its agricultural and agribusiness credit, has rapidly developed into a prominent international food and agribusiness bank with a global scope. In 1995, it had 40 international offices (RIAS, 1996, p. 2). The strength of transnational capital is marked by the development of the relative autonomy of finance with respect to production. This situation, which has emerged as the anchor of the globally constructed regime of accumulation mentioned above, has caused a transformation among the actors in the policy process. Among other things, it has led to a change in the role and nature of the individual state. In the global organization of capital, the state is yielding its primacy of place in the regime of accumulation. More than a mediator between global capital, institutions and interest groups, it is becoming a facilitator of the requirements of global capital (McMichael and

Myhre, 1991). The power configuration between the actors is, therefore, balanced towards the group with the largest capital concerns. In fact, commodity price support programmes, like the CAP, have rewarded large farms which have been able to increase productivity and scale through technologies borrowed from key machinery and chemical industries. The continuous increase of the CAP budget has sustained the production model.

In sum, it is argued that both the global organization of production and global finance have had a considerable impact on the structure of agricultural production. The most significant development is the changed role of farming within the agro-industrial production chain. The changing role of the state with respect to transnational capital and agro-industry, which has encouraged a certain type of agricultural production, and which has recently turned into the pursuit of deregulation, has intensified this process of restructuring.

III. Globalization and Change

The restructuring of agricultural production has generated major changes in European agricultural production and regulation. The way in which the actors have coped with these changes has been decisive for the new equilibrium.

Change in Production

While the restructuring process has had a homogenizing effect in the sense that it has created a system of mass-production based on standardized production methods on a large scale, it has led to increasing differentiation between those farmers who have integrated with the rest of the food chain, and those who have not. In other words, not all farmers have succeeded in the adoption of the industrial production model, nor in some cases have they wished to adopt it, for example in the form of contractual arrangements with agro-industries.

In general, relatively modern, commercial and large-scale farms have been in the best position to respond to the demands of processors and distributors. Small-scale, labour-intensive farms have mostly been left out. In this way, a division has developed between one group of farmers, which has been attractive enough for agro-industry to receive contracts and to 'quasi-integrate' with agro-industry (Koning, 1995, p. 11), and another group of farmers which has not integrated with agro-industry at all. In the literature, this development is also referred to as a 'two-track' agricultural system, in which large farmers, using industrial production methods, account for the bulk of food production and operate mainly on the market, while smaller producers are more focused on regional markets and are often kept in farming through environmental and social grants (Clunies-Ross and Hildyard, 1992).

The differentiation among farmers which has mostly threatened the group of farmers left out of the dominant production model, has forced them to react. In fact, a growing group of these farmers has been taken initiatives to shorten the food chain and to produce directly for the market. Others have turned to organic methods of farming in reaction to the increasing dominance of agro-industry within the food chain. These initiatives have been accompanied by the growing need of retailers for differentiation in food products as they try to widen the spectrum of products adapted to different consumer groups.

Change in Regulation

Regulation of the European agricultural sector takes place at many different levels. The most important sources of regulation are the measures of the CAP, and the agricultural policies of the Member States. Furthermore, European agriculture is subject to international regulatory structures, such as the WTO. Finally, there is a more local level of regulation based on agriculture–institution interaction. At all these levels the regulatory body is both shaped by, and shaping the constraints of economic actors (Le Heron, 1993, p. 63). The globalization of capital, as described above, has an impact on the state through its function of mediating international capital and through the wider social processes connected to it. Bargained settlements between interest associations are part of this. Also, the developments in the food system determine to a large extent the possibilities for regulation. At the same time, the activity of groups with an interest in policy formation around agriculture is constrained by the nature and contents of regulation.

Two general tendencies in regulation can be distinguished: on the one hand, in the industrialized world there has been a dismantling of state controlled or sponsored structures for the planning of agriculture, and a move towards more market-based forms of regulation (market deregulation). The reform of the CAP in 1992 and the outcome of the Uruguay Round illustrate this. The major change in agricultural regulation emerges from the altered role of the state in the global economy, and from the difficulties occasioned by an expansion of national agricultural output which has outstripped domestic markets as well as the capacity of natural systems to absorb the increase (Lowe *et al.*, 1994).

On the other hand, the implementation of deregulatory measures has often been accompanied by reregulation. The efforts to control the costs of the CAP through measures such as dairy quotas and set-aside, which were continued with the partial deregulation of the CAP in 1992 (the MacSharry reforms), and with the conclusion of the Uruguay Round of the GATT, were all accompanied by a host of exemptions, safeguards, and sideline measures to protect domestic commodity interests (Lowe *et al.*, 1994, p. 2). In addition, the role of consumption has increased relative to that of production within the agro-

industrial production chain, while consumers have grown more sensitive to the effects of the industrial mode of production and its additives to food in growing, storing, and processing stages. As a result, food production is increasingly regulated in the form of labelling and legislation. It has been reinforced by retailers who have generated strong pressures for adapting (and not abolishing) regulation to their advantage. These developments are reflected in a general increase of environmental regulation.

The opposite tendencies – market deregulation and environmental regulation – combined with a growing criticism of the problems of surpluses of agricultural production have led to political and institutional tensions in the corporatist mode of capital intensive production between the regulation of global agro-food trade on the one hand, and regional and national farm support on the other hand. This situation has directly affected the position of farmers, both within the agro-industrial production chain, and in policy-making. Farmers' organizations have found it increasingly difficult to continue to legitimate the traditionally general representation of farmers, while their influence on policy-making has declined.

In addition to their diminished capacity to regulate their own constituencies and reach bargained agreements with state agencies, the traditional organizations are confronted with the rise of new ones. The increasing criticism of the dominant model of agricultural production from consumers and environmental groups, together with a greater willingness of the state to adopt environmental regulation, have provided the basis for the formation of a new pattern of coalitions and collective action. Since the contradictory tendencies in regulation, and the reactions of the various actors are closely connected to the way in which the relations among the state, institutions, and interest groups develop, at the national level this has negatively affected the traditional corporatist model of interest intermediation.

Trends Away from Corporatism²

In general, the above changes in production and regulation have been the engine propelling a change in the existing model of interest intermediation in the Member States. In spite of some differences between the Member States in the speed with which these developments are taking place, and which can be attributed to the specific institutional settings and the characteristics of the domestic agricultural sectors, a common pattern of a weakening model of corporatism is emerging in European agriculture. This pattern consists of a growing number of alternative organizations, such as professional (vertically organized) groups, and organic farmers' organizations in the decision-making

² For an extensive discussion see Hennis (2000).

process. In the Netherlands, for example, this development is characterized by the replacement of the various general farmers' organizations by a decentralized model in which the various professional groups lobby the Dutch Ministry of Agriculture directly.

Another aspect of the change in the corporatist model is that the state has become more and more open to agro-industry, to environmental groups, to consumers, and to the new organizations of farmers. This has happened, for example, in France where in 1995 a traditionally 'dissident' farmers' organization, the *Confédération Paysanne*, was granted access to the policy-making process after it received more than 20 per cent of the votes in the *Chambres d'Agriculture* (Chambers of Agriculture), a semi-public body. In the elections of January 2001 the position of the *Confédération Paysanne* was reinforced when it received 26 per cent of the vote. This has disrupted the *système des quatre grands*, i.e. the corporatist model based on the co-management between two farmers' organizations, the *Chambres d'Agriculture*, and the state. Another example is found in the UK. There too, the equilibrium between the British National Farmers' Union and the Ministry of Agriculture, Fisheries, and Food (MAFF) was clearly disrupted when the Blair government's first Minister of Agriculture, Jack Cunningham, abolished nine regional advisory panels of farmers in England in order to allow a wider variety of interest groups in agricultural policy-making (Grant, 2000).³

Finally, the weakening of corporatism is characterized by a general pattern of closer integration between agricultural, environmental and consumer policy in a period of declining support or tolerance for the huge financial flows directed towards farmers. Again France is a good example. The adoption of the *Loi d'Orientation*, a guidance law which came into effect in January 2000, underlines the attention in French agricultural policy for the dualistic features of farming, i.e. to maintain the strong export position of France, and the role of farmers as guardians of the landscape and the environment. The most recent trend of this type has taken place in Germany. Under direct pressure resulting from the BSE crisis, the Ministry of Agriculture has been expanded to include consumer protection. More significantly, this ministry is now headed by a farm minister (Künast) who, for the first time in German history, does not have a background in agriculture but in the ecological green party, and who has announced that priority will be given to consumers over farmers, and an increase in organic farming in Germany in ten years to 20 per cent of total German agricultural production, compared to the current 2.5 per cent.

In sum, many important features of the corporatist model have disappeared which indicates that at the Member State level the close collaboration between

³ MAFF was merged in June 2001 with rural and environmental policy to create DEFRA.

general farmers' organizations, agricultural institutions, and the Ministry of Agriculture, based on mutual benefits, has become obsolete.

IV. Link between National and European Level

The change described above in the power equilibrium among the domestic actors and a declining corporatist model is reflected in two developments which have consequences for the European level of decision-making and for the CAP itself: a change in state preference and a shift in interest group activity.

Firstly, the content of the CAP is affected by the changes in Member State preferences. The shift in the balance of power towards (transnational) food companies and strong sectoral organizations has led to domestic agricultural policies which have become much more oriented towards deregulation and the liberalization of trade in agricultural goods, rather than to the interests of the farming community in general. While weaker farmers are increasingly sustained through European regulation in the form of agri-environmental grants and subsidies for rural development, national agricultural policies focus merely on the promotion of strong sectors, i.e. on the national champions. This development is what McMichael calls 'a shift away from national coherence towards national competitiveness' (McMichael, 1994, p. 165). In addition, the farm ministers are less willing to risk conflict with other ministers or with other countries over agriculture. This is happening in net-exporting and net-importing countries. Examples of the former are France and the Netherlands. French and Dutch agricultural policies have become focused on the most competitive parts of agriculture (branches and actors, such as agro-industry) and their export position in general. Also in Germany, which is a net-importer of agricultural goods and would benefit from lower prices and decreasing expenditures on stored surpluses, changes in the model of interest intermediation have resulted in a diminishing consideration of agriculture in general, and in attempts to use environmental subsidies for the appeasement of economically less viable farmers.

The changes in Member State preferences are reflected in the negotiations and their outcome in the Farm Council over the European Commission's CAP reform proposal as part of the *Agenda 2000* package for the period 2000–06. The proposed modifications of the CAP, put forward by Franz Fischler in 1997, were the most rigorous since the MacSharry reforms. The proposal focused on the maintenance of the competitiveness and export potential of European agriculture. This implied a movement towards world prices, a reduction of intervention levels, and a greater decentralization of policy implementation. In addition, the Fischler proposal had a more sector-based approach than the MacSharry reform. It aimed especially at substantial price cuts for beef and

cereals (10–30 per cent), which were to be compensated for by direct payments with the intention of avoiding the necessity of using export subsidies and improving the competitiveness of cereals on the internal market (*Agra Europe*, 1997). In the Commission's proposal, the dairy sector was subject to the least radical modifications. In addition to a price cut of 10 per cent, changes in the existing quota system were planned to be postponed until 2006. Finally, the proposal covered the integration of rural development and agricultural policy.

The reactions to Fischler's proposal were very representative of the changes at the Member State level: whereas the major farmers' organizations within the Member States, such as the French *Fédération Nationale des Syndicats d'Exploitations Agricoles* (FNSEA) and the German *Deutschen Bauern Verband* (DBV), received the proposal with great hostility (*Agra Europe*, July 1997), the majority of farm ministers accepted the general need for reform on 11 March 1999. The final agreement on the CAP reform, however, was reached at the Berlin summit some time later that month by the EU heads of government. It showed a significant watering down of the Commission's original proposal and the 11 March agreement. This outcome, although it apparently reflects support for the old CAP system, is in line with the developments described and illustrates the decreased weight of farm ministers. To begin with, it shows the reluctance within the Member States to risk a collapse of the whole package of negotiations because of agriculture. Furthermore, it underlines the importance of finance ministers relative to farm ministers. Parallel to the debate on reform in the Farm Council, finance ministers had reached the decision to stabilize agricultural spending to the levels of that period. This decision forced savings to be made, whereas radical reforms would have required more costly compensation measures (*Agra Europe*, February 1999). In the end, the wish to remain within the limits of the financial parameters dominated the agreement reached among the farm ministers. Against this background, the balance between rural development and national competitiveness in Member State preference shifted towards the latter. Thus, the interests of the French cereal producers were supported by President Chirac which resulted in the retention of set-aside, modest price cuts, and a modified cereals policy which allowed France to maintain its domination of the domestic market whilst increasing its third-country exports at the expense of other less efficient EU exporters (*Agra Europe*, March, 1999). Finally, the CAP reform, although watered down with respect to the Commission's proposal, is another step towards deregulation and liberalization in agriculture on the one hand, and, albeit on a voluntary basis, the integration of a new set of horizontal (environmental) measures on the other (*Agra Europe*, April 1999).

Secondly, in addition to a change in Member State preferences, the CAP is affected by the extent to which the disintegration of the corporatist model provokes a shift of interest group activity to the European level. In fact, those farmers who were becoming marginalized at the national level, are increasingly active at the European level and operate often in coalitions with environmental groups or consumer organizations. A good example is the *Coordination Paysanne Européenne* (CPE, with an office in Brussels since 1989) which organizes small family farmers and has set up a network for sustainable agriculture in order to facilitate joint action with consumers and environmental organizations. Another example is the European Federation of Agricultural Workers Union which, since the beginning of the 1990s, has taken in five organizations representing small, organic farmers.

The activities of these organizations are encouraged by the increased attention of the Commission to the integration of environmental and rural issues. The Commission is, however, also increasingly targeted by domestic groups, which are vertically organized, and which comprise those farmers who have successfully integrated with globally oriented agro-industries. Many of these organizations apparently do not seem to wish to rely any longer on an umbrella organization such as the Committee of Agricultural Organizations in the EU (COPA), and have opened up their own offices in Brussels. The most effective ones act through coalitions between various national sectoral groups and are organized around a certain issue. For example, tomato producers from Germany, Belgium and the Netherlands, who claim to be damaged by the low environmental standards in Spain, and hence cheap Spanish tomatoes, have formed a coalition which strives for a more balanced situation. They lobby the Commission together.

In spite of increased interest group activity at the European level by new Eurogroups and national organizations, it is clear that a model of Eurocorporatism is not taking shape. The reason is that, rather than a complete shift of their activities to the European level, national interest groups have added the European arena to the national one. In other words, in spite of increased activities of national groups at the European level, they continue to be important at the domestic level even though this takes place in a different form.

V. Conclusions

This article has sought to provide a better understanding of the interaction between European integration and globalization. A framework has been presented which includes the impact of European integration on changes in interest intermediation at the Member State level, and changes in regulatory frameworks in relation to forces of globalization. It has been suggested that the

outcome of these developments, which are influenced by the way in which the actors cope with them, impact on the European level through a change in Member State preference and through a partial shift of interest group activity to the European level.

The framework has been applied to the study of the CAP. It has been shown that the most important effect of globalization and related changes in regulation has been a significant weakening of domestic models of corporatism with consequences for Member State preferences and interest group activity. Interest group activity has not shown very radical change. Although there has been a shift of some interest group activity to the European level, implying a relative decline of the role of Member States, a strong Euro-wide pattern of corporatism or other model of interest intermediation does not seem to be forthcoming.

Member State preferences have changed significantly. They have become more oriented to deregulation, trade liberalization, and the support of strong sectors, while attention is also paid to the environmental functions of farmers. At the international level, this is reflected in multilateral trade negotiations which show a shift from conflict over domestic support systems in agriculture towards conflict over trade regarding environmental and health issues, such as that resulting from the European ban on the growth hormone bovine somatotropin (BST) and the restrictions on genetically modified organisms (GMOs).

For the role of the CAP in European integration, the advancement of a free trade view and the decreasing protection of domestic support systems imply diminishing conflicts in the EU over agriculture in multilateral negotiations. Furthermore, the new attitude brings agricultural policy more into line with other policy fields where this view has already advanced. It is thus expected that with the ongoing decline of the corporatist model at the national level, the dismantling of state-controlled support systems will diminish the budgetary strains over the CAP, and will also remove a considerable part of the doubt over future enlargement of the EU.

These developments could mean a set-back for European integration. The reason is that the combination of agricultural policy – which focuses on economically viable sectors and regions – and the prevalence of national interest group activity, will strengthen the arguments in favour of a renationalization of the CAP. An important argument would be that more flexibility and a differentiation of finances in agricultural policy are important, because in a time of diminishing support for agriculture in general, the promotion of the economically most viable sectors can be guaranteed. Renationalization is not a positive development, however, for the process of European integration. Together with a focus on competitiveness, it will rather leave behind regions with less favourable resources. An increase in regional disparities may result

from that, while strong sectors and regions will become key actors in an increasingly competitive global food system.

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