

Economic Actors' Political Activity in 'Overlap' Issues:  
Privatisations in Spain, France and Ireland  
and EU State Aid Control<sup>i</sup>

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**Abstract**

*This paper considers the political activity of economic actors in what we refer to as ‘overlap issues.’ Such issues consist of two separate, but related, domestic and supranational decisions that are taken at both levels of European governance. Examined here are the domestic level privatisation policy-making processes in Spain, France and Ireland, and the subsequent European Commission decisions on the state aids given during the sales. The research argues that although the influence of economic actors is crucial in understanding the domestic-level privatisation aid negotiations, such actors’ participation is absent in the supranational decision-making process that witnessed all the aids being approved. In order to explain this limited political activity of firms at the EU-level, attention is focused on both the role of the member state and the paradoxes in EU policies that simultaneously guide and constrain the Commission from making a decision against capital. The conclusions situate our findings within the ‘elite pluralist’ literature on economic actors’ political activity in Europe while also considering the idea of the structural dependence of the EU on capital.*

## Introduction and Objectives

Since the early 1990s, students of west European politics have paid increasing attention to the role of interest groups in the European Union (EU), guided by concepts of pluralism, corporatism or elitism that scholars raised in the larger comparative politics literature. Influenced by Dahl,<sup>ii</sup> authors including Mazey and Richardson<sup>iii</sup> made significant insights into how non-state actors have sought to influence EU integration. While they argued that individuals and groups attempt to influence EU policy-making, they did not fully elaborate either constraints faced by some actors, or avenues through which others gained advantages. Greenwood *et al.*<sup>iv</sup> offered an alternative model by alluding to a mixed corporatist/pluralist system to explain EU public policy development. Clearly guided by the larger corporatist literature, as seen in Schmitter and Lembruch's work,<sup>v</sup> it was contended that specific interests who enjoy a monopoly of representation have fixed positions in policy-making. Later works transcended these 'transpluralist' and 'corporatist' models and pointed instead to an "elite pluralist arrangement between institutions and policy actors."<sup>vi</sup> Intuitively based on ideas raised by those including Lindblom,<sup>vii</sup> 'elite plural' analyses suggest that economic actors demanded a privileged EU policy-making position given increased regulatory competences from the state-level to Brussels.<sup>viii</sup> In turn, these demands were "met with concomitant supply of access to the policy-process by political actors in EU institutions" seeking policy expertise.<sup>ix</sup>

The 'elite plural' literature on the political activity of economic actors has pointed to the multi-level or dual lobbying strategies at both member state and EU levels. While earlier works by Mazey and Richardson and Greenwood recognized that 'issues make politics and determine focus,' Coen's more detailed analysis of developments in trade, social, fiscal, technical and environmental issues was the first to clearly demonstrate that "firms play a complex multi-level game when seeking to influence the (European) policy process."<sup>x</sup> On the one hand, where the EU has direct competency economic actors will seek either to directly lobby Brussels or to influence member states' behaviour in the Council of Ministers.<sup>xi</sup> On the other, one should also "expect to see periods of national lobbying to facilitate the implementation of EU directives and raise new

industrial agendas at the Council of Ministers.”<sup>xiii</sup> In a similar vein, examining vehicle pollution, common transport and single-market policies Young and Wallace present an advocacy alliance argument focussing on the actions of member state governments, supranational institutions and specific interests.<sup>xiii</sup> Similar to Coen, they conclude that different economic actors play at different levels and different institutions depending on the issue and the country of origin.

While these studies offer a cogent understanding of the role of economic actors in the European policy-making processes, one may argue that further insight on firm lobbying activity at both levels may be gained by extending the analysis to what we define as ‘overlap issues’ found in European governance. These are issues where two separate, but related, domestic and supranational decisions must be taken because they fall within each level’s jurisdiction. Such issues, in which an economic actor has a direct vested interest, can be found when coupling certain domestic level initiatives with supranational ones particularly falling within the ‘competition’ rubric. They include, for example, the privatisation of a state company receiving subsidies (domestic level initiative) which have to be approved by Directorate General IV of the Commission (supranational level one); mergers which may be approved by national regulatory authorities before final adjudication by the Merger Task Force; or, a restrictive practices case in which a national regulator’s decision is potentially overturned by Brussels.

From a theoretical vantage, ‘overlap issues’ may offer a somewhat different dynamic to areas studied by scholars such as Coen and Young and Wallace. This is because the issues they examine do not necessarily encapsulate two separate formal decisions that affect the firm, or, in other words, related decisions that must be made first at the domestic level and then at the supranational one. As above, these authors suggest that an economic actor’s potential lobbying activity follows a complex path dependent on the policy area. We can think of Coen’s as well as Young and Wallace’s scenario metaphorically as follows: the force of economic actors to influence decisions could be of differing strengths and could take several directions given that issue domains determine EU or national focus. This action could be visualised as economic actors taking multiple vectors, each with potentially different directions, to influence policy. Their scenario’s subsequent vector field (a region of space under potential influence) is dynamically

situated somewhere between (or, even at the poles of) both levels of European governance depending on the issue. However, in ‘overlap issues’ examined in this paper there is only a single, uni-directional vector to influence policy that may be taken by economic actors, where the vector stems from the domestic-level and extends to the European one. There is less complexity in overlap issues precisely because the decisions affecting the firm must, in principle, occur at the domestic level and, then, the supranational one. This suggests that the vector field is initially confined to the first level and then extends to the second level of European governance. Examination of actions taken by firms in such ‘overlap’ issues may thus help us better understand their political activity (or lack thereof) in both levels, allowing for verification or falsification of existing arguments in the literature. For example, in ‘overlap’ issues will economic actors attempt to influence both levels of EU governance? Do they opt for only one, potentially using this level to influence the other? Or, do they abstain from political activity altogether and still achieve policy outcomes that serve their interest?

Seeking to better understand the political activity of economic actors, this paper examines the (dual) policy-processes of privatisations that received aids in Spain, France and Ireland since 1986 and the subsequent EU-level decisions on the aids. The justification for analysis of privatisations and state aid is based on the above idea of the existence of ‘overlap,’ which offers the opportunity to examine the political activity of firms on decisions that are in principle made at both levels of governance. At the domestic level, economic actors purchasing companies may have influenced aid negotiations for their future investments. At the supranational one, economic actors may have also driven the decision-making process when such aids had to be approved by the European Commission. Certainly, one finds the argument in the literature that privatisation is a national issue: authors such as Majone<sup>xiv</sup> and Thatcher<sup>xv</sup> have argued that the Commission has followed a policy of subsidiarity in the regulation and privatisation process and that Article 222 of the EC Treaty remains neutral with regard to private versus public ownership. However, another argument in the literature offered by Wright<sup>xvi</sup> and Moran and Prosser<sup>xvii</sup> suggests that privatisations receiving aids are not an issue confined to the domestic level. Through Articles 3(g), 87 (ex.92), and 88 (ex.93) of the Treaty on European Union (TEU), as well as the

Transparency Directives of 1980/1993, the Commission is legally armed to investigate and prohibit market-distorting aid.<sup>xviii</sup> Therefore, states giving aids during privatisations can be constrained or even stopped by the Commission. Evidence of this is seen in the sale of the British Rover Group to British Aerospace in the early 1990s when the Commission heavily scrutinized aid.<sup>xix</sup> The apparent tough stance on aids, particularly since the SEA (1986) and Commissioner van Miert's leadership of the Competition Directorate, was based on producer and consumer concerns. From a producers' vantage, unfair subsidies allow recipients to maintain or increase their position independent of market forces. The forms of aid that may be used in privatisations to give advantages to producers purchasing companies include direct subsidies, recapitalisations, loans below market rates, writing off debts, cash contributions, and loan guarantees given by the member state to companies.<sup>xx</sup> From a consumers' vantage, prices and the quality of goods are not necessarily optimal because aids prevent other competitors from market entry or establishing a strong position.

There is a three-fold justification for analysis of developments in Spain, France and Ireland. The first is that while both Ireland and Spain have demonstrated higher levels of enthusiasm than France, all three are in favour of a deepened integration process. Because one would expect compliance with Community regulations, including notification of aids to Brussels, study of these states' sales offers the opportunity to analyse policy-making processes and potential activity of firms at both levels. Secondly, although Schmidt<sup>xxi</sup> offers insights on business-state relationships in France by suggesting that firms have had a significant tradition of using the state as a EU lobbying channel in economic policy formation, less analysis has been made on business-state relations in Spain and Ireland. This analysis will thus allow us to draw insights regarding a similar potential relationship in Spain and Ireland, while accounting for factors that may explain this across the three states. And thirdly, all of these states have privatised to different degrees since 1986, thus offering a range of sample. The French privatised first and more intensely, particularly in the mid 80s and early 90s; Spain privatised well before Ireland, but arguably less intensely than France because the state maintained until recently golden-shares in some monopoly sector companies; and Ireland still maintains several important public sector

companies whose equivalent has been partially or fully sold off in the other two states.<sup>xxii</sup> Analysis across the range will allow to see if there are any differences or similarities in the processes, particularly the strategies taken by economic actors purchasing companies.

The next section analyses the domestic level privatisation policy-making process in Spain, France and Ireland, with specific focus on the aid elements of the sales. The section thereafter examines factors that explain the subsequent Commission decisions on the negotiated aids. It will be argued that although the direct participation of economic actors is crucial in explaining the large quantities of privatisation aid negotiated at the domestic level, their direct participation is absent during state aid approval at the supranational one. In order to understand this limited political activity of economic interests at the EU-level, attention must be focussed on the role of the member state as well as the paradoxes in EU policies that simultaneously guide and constrain the Commission. The conclusions offer insights on firms' political activity in overlap issues and on the concept of the EU structural dependence on capital.

### **The Domestic-Level - Privatisations in Spain, France and Ireland.**

The Spanish state-companies studied belonged to the former *Instituto Nacional de Industria* (INI) later renamed *Sociedad Estatal de Participaciones Industriales* (SEPI); in France, those falling under the responsibility of the Ministry of Finance are analysed; and in Ireland, those that pertained to Department of Public Enterprise are examined. Tables 1, 2 and 3 summarize the main privatisations in Spain and France and all of the privatisations in Ireland over the last 15 years; all privatisations known to receive state aids are included in the tables.<sup>xxiii</sup>

Broad comparative analysis of the tables reveals three main observations. First, it is usually the case for Ireland and Spain that privatised companies receiving state aids were directly sold to private investors, many of which were multinationals based outside these states. The French model differs in that flotation was often chosen over direct sale, but the final result was the concentration of controlling shares to the *noyaux durs* as discussed in this section. Secondly, aids were given regardless of the ruling party.<sup>xxiv</sup> This suggests that there was no 'government line' in granting state aids, but rather, that purchasers played instrumental roles in demanding their

desired deal as discussed below. Thirdly, a number of state aids were indeed notified by the member state and subsequently reviewed by the European Commission. The exceptions were those between 1986 and 1993 by the Spanish Socialists (PSOE) where there was neither aid-notification, nor subsequent Commission review as analysed later.

*Spain: Economic Elites Driving the Sales at the Domestic Level*

Despite suggestions to the contrary,<sup>xxv</sup> many privatisations took place in the INI during Socialist rule.<sup>xxvi</sup> Previous examination of INI privatisations by the Socialists of the car maker Seat, which was sold to Volkswagen between 1986 and 1990, and the truck-maker Enasa, which was sold to the Italian firm Fiat in 1991, indicates the active participation of economic actors and neo-liberal minded political elites led by those from the Ministry of Economy and Finance (MEH) seeking to stop the long-term budgetary drain posed by these companies. The result was an opaque policy negotiation that saw neither citizen, nor interest group, nor representative institutional participation.<sup>xxvii</sup> For example, in the case of Seat one witnessed a dual process of privatisation. This first consisted of a prior financial restructuring (*saneamiento*) of the public enterprise with Treasury funds, benefiting private financial capital from Spain. The second phase included granting recapitalisation funds before or after the sale, cash contributions, and retroactive contributions, all of which benefited the new owners. Both points highlight the active influence of two main actors during the privatisation process - financial capital from Spain and (especially) industrial capital outside of it. Another PSOE privatisation not previously examined, which verifies the 'two-phase' hypothesis, is that of MTM-Ateinsa which manufactured train engines and equipment.<sup>xxviii</sup> Once loans it was receiving from financial capital were repaid and the balance sheets cleared, the eventual price of sale to GEC-Alsthom was 3.579 billion pesetas: less than the share capital of the companies (4.1 billion, pesetas.) Months after the sale, the state funds towards the companies in terms of retroactive contributions demanded by GEC-Alsthom in 1990 amounted to 2.676 billion pesetas.

SEPI privatisations by the Popular Party (PP) since 1996 also witnessed economic actors driving the details of the domestic level policy negotiation alongside MEH political elites. For

example, Productos Tubulares (hence PT), a company employing approximately 400 workers located in Vizcaya (the Basque Country), produced seamless steel tubes and pressurized gas cylinders.<sup>xxix</sup> Although its production outputs since the early 1990s steadily improved, PT's before tax results still amounted to a loss of 65 million pesetas in 1997. Seeking state-withdrawal of this loss-making company, the government earmarked over 25 billion pesetas of Treasury funds to restructure the company and left a purchase price of 1 peseta as insisted by the buyer, Tubos Reunidos.

Iberia is the most recent sale by the Partido Popular also witnessing the leading role of economic actors during the process. The national airline had a history of low profits, high debt to equity ratios, and an aging fleet that justified two large capital injections of 120 billion pesetas and 87 billion pesetas in both 1992 and 1995, respectively.<sup>xxx</sup> Beyond improving the company's financial structure and renewing the fleet, the injections paid for redundancy payments towards 3300 of the original 30,000 workers of the early 90s. Unlike the other Spanish sales above, however, by 1998 the company had started to experience a turnaround after its restructuring: before-tax profits reached over 20 billion pesetas in 1997 and increased to over 65 billion in 1998.<sup>xxxi</sup> In wake of the turnaround and in order to cement the company's future growth potential, the PP sought to sell 40 per cent of the company to institutional investors representing both solid experience in the airlines sector (British Airways and American Airlines) and strong financial backing (Caja Madrid and Banco Bilbao Vizcaya Argentaria). Newly issued shares would be in principle 'purchased' by the new partners thereby allowing the share-capital of the company to be increased as well. However, analysis of the negotiation process between political and economic actors reveals that the latter requested a direct provision of capital to help subsidize the purchase. The funds for this operation were provided by MEH by two means: first selling off a subsidiary of Iberia, Aviaco, for the value of approximately 30 billion pesetas, and later, another cash injection from the public purse in the amount of 20 billion pesetas. As table 4 illustrates, the price finally paid in December 1999 was approximately 80 per cent of the value of each investors' shares, representing a total discount of 50 billion pesetas.

*France – The Noyaux Durs and Domestic Level Sales*

Dissimilar to the Spanish privatisation in which large aid quantities were manifest, there were no aids given during the first major round of French privatisation under the Conservatives (early 1986-October 1987). The major sales of firms in competitive market positions, including Paribas, Société Générale, Saint-Gobain, Havas and TF1, effectively generated FFr 100 billion for the Treasury.<sup>xxxii</sup> Because ‘all major decisions were left to ministerial discretion,’<sup>xxxiii</sup> the Finance Ministry, together with neo-liberal minded high-ranking bureaucrats heading privatised companies, ultimately favoured the creation of the *noyaux durs*. This select nucleus of French shareholders close to the Conservatives effectively held ‘sufficient portions of capital (and were able) to exercise...control.’<sup>xxxiv</sup> The instrument used to create this concentration was under-pricing: the Minister fixed share prices well below the market value, attracting large buyers with connections to the ruling parties. Share discounts ranged from 19 per cent for Saint Gobain to 8 per cent for Havas and resulted in only 24 financial and industrial actors involved in the distribution of the controlling blocks. This under pricing, resulting in a loss of approximately FFr 24 billion in potential revenue, can be understood based both on the *Ecole Nationale d’Administration* (ENA)<sup>xxxv</sup> background that personally linked (political and economic) actors in the closed decision-making circle and on Finance’s goals to reduce state economic participation.<sup>xxxvi</sup>

The second major round starting in 1993 witnessed a shift in the instruments adopted to privatise as handpicking of shareholders was accompanied by a number of pre-sale capital injections, more closely resembling the sales under the Spanish PSOE and PP. Over FFr 80 billion served as aid to restructure loss-making companies on the selling block as demanded by potential members of the *noyaux durs*.<sup>xxxvii</sup> For example, the computer company Bull received a capital injection worth FFr 4 billion between 1991 and 1992 as well as an extra FFr 2.68 billion as R&D assistance while still under state control. During the second round, Bull received another substantial injection with the goal of improving the company’s accounts prior to its sale. This aid

over three instalments amounted to FFr 11.1 billion between 1993 and 1994 and in large part went to the main buyers of the company - NEC, Motorola, Dai Nippon Printing and France Telecom – that had prior cooperation agreements with Bull.

Crédit Lyonnais (CL) is perhaps the most enlightening sale witnessing a closed policy-process between economic investors and political actors in where large amounts of direct aid were given. In 1995 CL was the largest European bank with 71,000 employees and 1,700 branches outside of France. Through various forms of payment, CL received more than FFr 100 billion in aid over 4 years. This was deemed necessary by investors in order to save the bank while making it competitive as a privately owned company in which the *noyaux dur* was made up by Crédit Agricole (10 per cent), AGF (6 per cent), AXA (5.5 per cent), Commerzbank (4 per cent), BBV (3.7 per cent), and Banca Intesa (2.7 per cent). The privatisation of CL occurred when French banks were rushing to consolidate their operations through mergers and take-overs. CL, labelled the ‘plug-hole of a bank’, was steered by the French government towards Crédit Agricole just after CL’s Chief Executive brought it back to profitability thanks to massive injections.<sup>xxxviii</sup> Crédit Agricole was aware that it would have been chosen as main shareholder of the privatised CL, as its solid rural base would integrate perfectly with the urban base of CL, thus creating a powerful conglomerate. This was due to the Ministry of Finance’s interest in solidifying the banking system and seeing CL as an opportunity to create a second large conglomerate on the French market to balance out BNP-Paribas.<sup>xxxix</sup> The chief executive of Crédit Agricole, having entered an agreement with the government, acquired 10 per cent of the shares once all state aids had been cleared in Brussels as discussed in the next section.

#### *Ireland: The Role of the Firm in the Privatisation of Irish Steel*

Similar to the privatisations in Spain and the second round in France, the one Irish privatisation in which aids were granted took place in closed settings where economic and high-level political actors negotiated the details of the sale. Irish Steel (hence IS) was a 100 per cent state owned company which operated the country’s only steel making and rolling plant out of Cork.<sup>xl</sup> Five years previous to its sale in 1996, IS suffered losses reaching an estimated £20

million by mid-1995. This was reflective of general decline in demand for steel, oversupply in the Community, and the collapse in prices. As a result of future difficulties, the state sought that IS be taken over by a private investor capable of restructuring and modernizing given changing market dynamics.

The process to find an industrial partner was hardly transparent and it is difficult to say with certainty from whom the state received offers and what these offers were. Nevertheless, the private company Ispat, a large multi-national steel making company with a good track record in turning around loss-making companies, was eventually chosen to negotiate with the Irish government led by members of the Departments of Finance and Public Enterprise. Similar to PT of Spain, the first condition set by the buyers included that IS would be sold for a symbolic amount of £1. The second was that a £17 million loan granted to IS by the state in 1993 would be written off. The third was that a cash contribution of over £19 million would be made by the state to IS. This would be used by Ispat to cover balance sheet deficits, to implement specific remedial environmental works, and to restructure existing plants. And the final condition was that more than £2 million would be given towards any potential retroactive claims. In a similar fashion to the INI/SEPI sales, Ispat negotiated a sale in which it received over £38 million to take over the company. The only condition Ispat agreed to was its willingness to assume the company's future viability over 5 years without further aid.

To summarize, the domestic-level analysis indicates that several state aids were earmarked towards companies privatised in Spain, France (2<sup>nd</sup> round) and Ireland. This was a consequence of the closed process wherein economic actors actively participated with specific political elites to the exclusion of other social interests. Although the economic actors involved in the privatisations in France were representative of (largely native) investors from the *Noyaux Durs*, the Spain and Irish sales witnessed direct sales to multinationals.

The evidence provides an opportunity to situate these experiences first within the literature on business-state relationship in (domestic) economic policy formulation. Schmidt's<sup>xli</sup> hypothesis on the close ties between the French government and economic actors is verified in

privatisations receiving state aids. Moreover, the evidence suggests a similar dynamic at play in Spain and Ireland (where multinationals purchasing the companies negotiated alongside the state) even though such a well-established tradition does not exist in these states. An explanation for this may lie in the fact that these states possess strong executive leadership that was willing to make ties with economic actors. Elgie has argued that strong leadership in France is due to “the presence of a strong central state, the limitations placed on judicial review and the weakness of the legislature...”.<sup>xiii</sup> Heywood<sup>xliii</sup> suggests the existence of similar factors in Spain, with the result being a tightly knit core-executive led by both the Prime Minister and the Ministry of Economy and Finance. And Farrell<sup>xliiv</sup> has argued that while the Taoiseach (Prime Minister) remains the “chief executive,” the executive “remains the arena in which ultimate... decision making takes place.” The privatisation processes in all three states suggests that the core-executive ‘common denominator’ corresponds to the Finance Ministry that was pivotal in securing public funds for the operations. Such core-executives and economic actors purchasing these state companies had self-supporting goals that allowed ties to be established and forged.

On the one hand (neo-liberal) political elites sought state withdrawal from companies suffering from a history of losses. This would serve to their goals of preventing long-term budgetary drain and increasing overall economic competitiveness by means of state withdrawal. And on the other, economic actors sought to enter new markets (or expand in pre-existing ones) by attaining financially restructured companies according to terms they demanded. This eventually would serve to their goals of attaining viable companies that were potentially profitably. Given the strong executive leadership from Finance willing to negotiate with economic actors based on both actors’ symbiotic goals, coupled with the state resources at these leaders’ disposal, one may argue that the economic elites acted rationally during domestic-level policy-making. Political participation was virtually risk free for the purchasers and pay-offs would have been lower had they abstained from political activity.

The second area of the literature we can thus situate our domestic level findings is that on the political activity of economic actors. One may argue that the findings are not inconsistent with ideas raised by ‘elite plural’ authors suggesting the importance of economic actors engaging in

direct domestic-level lobbying. Such a strategy taken by firms was rational, virtually risk-free, and in their interests to pursue because they directly benefited in negotiating aids. However, given the previously offered framework theorizing the existence of ‘overlap,’ wherein domestic level bargaining was still contingent on supranational approval, analysis of developments at the European Commission level is necessary. Will the uni-directional vector of influence that theoretically exists in overlap issues really take the firm directly to Brussels? If so, why? If not, why not?

### **The European Level – The Leading Role of Economic Actors?**

Before considering the role of the EU with respect to the privatisation aids above, it is necessary to consider a brief ‘overview’ of how the Commission, particularly DG IV, arrives at a decision.<sup>xlv</sup> Drawing on ideas raised by Cini and McGowan,<sup>xlvi</sup> there are two theoretical routes. In the first, the Member State (MS) complies with its obligations by notifying the Commission of an aid. ‘Phase 1’ investigation then begins where a *rappporteur* (a Commission official) is given responsibility to lead the investigation. At the end of Phase 1, the aid can be deemed compatible with the Common Market or, exceptionally, a deeper Phase 2 investigation has to be started with initiation of the Article 93(2) procedure. The possible outcomes here can be either aid approval, or a negative decision, in which case the aid is deemed illegal and must be recovered by the MS.

The second route corresponds to that where a MS does not notify the Commission of the aid. Here, there are two possible outcomes. In the first, the Commission becomes aware of the aid through some other third means (such as competitors who snitch or reports from the financial press) and it may order a temporary aid suspension and/or formal notification by the MS in order to pursue investigation of the case at the EU-level.<sup>xlvii</sup> Because European Court of Justice (ECJ) rulings have confirmed that “an aid cannot be deemed illegal simply because it was not notified,”<sup>xlviii</sup> a non-notified aid that comes to the attention of the Commission will have to go through Phase 1 and, potentially, Phase 2 investigation should the Commission choose to investigate it. The second possible outcome is that the Commission, which may be aware of the aid through some third party means, neither suspends and calls for formal notification, nor

investigates the aid's incompatibility with the Common Market. As such, one may argue that the aid is effectively 'approved,' albeit without an official Commission decision.

Based on the above, for the sake of simplicity there are four theoretical scenarios, where MS = Member State, C = Commission, T = Notification Through Third Party Means, y = aid notification, x = aid non-notification, ai = aid approval with investigation, awi = aid approval without investigation, d = aid denial, s = temporary aid suspension.

- i)  $MS_y \rightarrow C_{ai}$
- ii)  $MS_y \rightarrow C_d$
- iii)  $MS_x \rightarrow (\text{potentially}) T_{\rightarrow C} \rightarrow C_{\text{forcesMS}_{\rightarrow y}} \text{ or } C_{s+\text{forcesMS}_{\rightarrow y}} \rightarrow C_{ai} \text{ or } C_d$
- iv)  $MS_x \rightarrow (\text{potentially}) T_{\rightarrow C} \rightarrow C_{awi}$

The rest of this section will demonstrate that the aids given during the privatisations in Spain, France and Ireland are best described by scenarios (i) and (iv.) In an integrated discussion, we will also argue that scenarios (ii) and (iii) were not likely to be plausible alternatives. In order to understand *why* all the aids given during the sales in all three states were approved, a deeper analysis of the state aid decision-making process is required. Factors that may have influenced the Commission which are evaluated include potential MS involvement beyond simple notification, participation of economic actors who bought the companies, as well as the 'structural' constraints faced by supranational authorities.

#### *Scenario (i) $MS_y \rightarrow C_{ai}$ : Privatisations Under Spain's PP, France, and Ireland*

Privatisations during PP rule in Spain, those during the second round in France, as well as IS in Ireland received aids that were notified by the MS to the Commission that eventually gave approval (see last column, Tables 1, 2, and 3). In reference to sales studied previously, after domestic-level agreement on terms of conditions of the Productos Tubulares sale was reached, the Spanish government notified the Commission of the aids earmarked towards the privatisation in March 1998<sup>xlix</sup>; the same was done for the aid going towards Iberia in May 1999.<sup>l</sup> This was similar to the Irish governments notification of aid to Irish Steel in September 1995.<sup>li</sup> Notifications were

given in the cases of CL (September 1996 and July 1997), Societé Marseillaise de Crédit (July 1993) and Bull (April 1991 and February 1993).

Although formal MS involvement is theoretically over once notification of aid takes place, further analysis of the Brussels decision making process surrounding the Spanish PP and Ireland's IS aids reveals the MS's key role in attempting to influence the process through national representatives. In the case of SEPI sales previously examined, there was subsequent communication between the SEPI delegation (which included members of MEH) in Brussels and the Commission that occurred not only through more letters, but also "bilateral contacts" between April and July 1998 (in the case of PT) and June and August 1999 (in the case of Iberia.) This is also found when analysing meetings held between officials from the Departments of Public Enterprise and Finance and the European Commission between September and December 1995 (in the case of IS.) According to Commission officials, these "contacts" are commonplace when a state aid is investigated and they can be best characterized as "informal."<sup>lii</sup> These meetings occurred not only with *rapporteurs* in charge of investigating a specific case, but also unit chiefs responsible for over-seeing aids in specific sectors. The meetings between the MS and the Commission served to discuss the overall 'business plan' of the company receiving the aid. These plans, previously developed by economic actors purchasing the companies, discussed details such as the volume of the aid, past and projected financial performance, investments to be made while in private hands, and workforce reductions after the sale. Analysis of the decision making process in these three sales reveals two 'bottom lines' of the MS's presented 'business plan' that the Commission sought. The first, corresponding to companies having a history of financial losses, such as PT and IS, was that they were 'economically viable' after the aid<sup>liii</sup> and, more importantly, that the state was withdrawing fully from its ownership with promises of not bailing out the company in the future. And for companies such as Iberia, which were on sounder financial footing, the bottom line judged favourably by the Commission was that the state was acting as a market investor who would not unreasonably inject cash into a profitable company that is in expansion under private ownership.

Though taking a tougher stance, the Commission ultimately concluded similar to the Spanish and Irish cases that the aids towards France's 2<sup>nd</sup> round privatisations were compatible with the Common Market after numerous bilateral talks and exchange of documents with the MS led by representatives of Finance. While the decisions published in the Official Journal (OJ) do not emphasize it, DG IV officials argued that because privatisation is considered by the Commission to be the "best insurance policy against future state involvement,"<sup>liv</sup> the aids to Bull (of FFr 18 billion) and Societe Marseillaise de Credit (FFR 6.3 billion) were let through given France's emphasis of its "commitment to sale" during bilateral talks.<sup>lv</sup> The case of CL also highlights how France was also able to effectively side step a previous judgement by the Commission with promises of total state withdrawal. As DG IV officials highlight, a negative decision on the FFr 100 billion that was earmarked towards CL was on the pipeline, especially because French officials had not fulfilled their promise of 'one time, last time' when money was previously pumped into the bank to save it in 1995.<sup>lvi</sup> However, because the business plan presented in late 1997 by French officials confirmed complete state retreat from CL, coupled with fears of the company's closure should the aid package be denied, a positive decision on the (further) aid was sealed. Once the Commission's decision to approve the aids was confirmed in August 1998, the procedures to privatise the bank to its main shareholder began in early 1999.

Summarizing the evidence under this scenario, there are two main observations that can be integrated in the existing literature. First, the idea of 'state economic retreat' guided the Commission in the approval of aid in all three states, while it simultaneously prevented the Commission from making a decision against the aid. Although no part of the EEC Treaty/TEU stipulates that states ought to privatise, it is generally preferred by the Commission. Regardless of potential short-term costs, the Commission felt that states must disinvest from the economy in order to increase the long-term competitiveness and efficiency of the single integrated market in which private investors can thrive. Aware of this, the MS highlighted during these informal talks this key aspect of the aid serving a higher purpose – that of state economic withdrawal. Thus, although the Commission could have theoretically constrained member states by deciding against the aids as discussed earlier by authors such as Wright and Moran and Prosser, it held the view

that aids towards privatisations were a means to encourage economic liberalisation as discussed by authors such as Majone. As a result, it does not seem surprising that all the aids were approved and that scenario (ii) above was unlikely to occur. Interestingly, neither the region where the company was located, nor the sector to which the company belonged formed a large part of the Commission's calculation of interests when making final decisions.

A second observation relates to the role of the firm in the Brussels' decision-making process: answering the previously raised question, the evidence in this scenario suggests that the uni-directional vector of influence theoretically existing in overlap issues did *not* take the firm the Brussels, at least in terms of its own direct political activity. This occurred because the MS, wherein strong core-executive leadership was manifest, effectively "lobbied" the Commission on the buyers' behalf. Indeed, the concept of business actors' attempting to influence Brussels' policy-making through its member state has been demonstrated in the 'elite plural' literature by authors such as Coen and Wallace and Young. The arguments offered in these pieces highlight that the firm attempts to influence member states' behavior in the Council of Ministers. The evidence gathered here also demonstrates that in specific issues the firm seeks to utilize the MS to directly lobby only the Commission. There are two reasons for this.

First, in this overlap policy area the Brussels decision-making process is centred only at this half of the EU dual-executive and firms realized that the strong executive leadership offered by Spain, France and Ireland could effectively perform a one-to-one battle against the Commission. As discussed earlier, all three states are characterized as having strong core-executives and the privatisation process was a closed one in which the Ministries of Finance played pivotal roles. This points to the robustness of national institutions and the importance of business-government relations as discussed by authors such as Eberlein.<sup>lvii</sup> The supranational level subsequently witnessed that these domestic leaders, who had gained ties with business, could raise a cohesive voice during the Brussels investigation process given that national representation for state aid was embedded. One could thus argue that firms strategically chose that the MS act as an advocate in Brussels: MSs were not simply one voice amongst many in the

Council of Ministers, but, rather, each represented strong leadership that could effectively have, and was willing to perform, a face-off against the Commission on behalf of the firm.

Secondly, economic actors sought the MS lobby not only because of its leadership strength, but also its legitimacy. The MS derived this legitimacy because it was ‘spending’ the money (giving the state aid) as opposed to ‘getting’ the money (receiving the state aid.) As one Commission official put it, Brussels officials avoided talking with the buyers who subsequently do not like to “be seen in Brussels.”<sup>lviii</sup> Firms realize that the Commission does not wish to embark on direct negotiations with buyers because it is “common knowledge that money put in by the state before privatisation is really a direct aid to buyers”<sup>lix</sup> that places them in an advantageous market position - something which the Commission does not want to be accused of doing. This points to the idea that, at times, firms will intentionally abstain from political activity: avoiding state aid investigators may increase the chances of having aids approved and, thus, increase overall benefits for the firm.

It is important to note here that abstaining from political activity has more to do with lack of legitimacy than it has to do with controlling lobbying costs. As the literature on interest group activity suggests, several potential interests do not engage in direct lobbying in Brussels given resource constraints. Yet, the buyers of the companies were large capital actors with ample lobbying resources. Evidence of this is seen in the actions of British Airways (BA). In 1994 and 1995 BA had (unsuccessfully) attempted to influence the Commission to stop state aids towards Air France and Iberia while both companies were fully state-owned.<sup>lx</sup> This leads one to conclude that BA had a Brussels’ lobbying infrastructure. However, in 1999 BA actually remained silent during the approval of aids linked to the sale of Iberia, a company of which BA was to now buy 10%. One may argue that BA allowed the Spanish state to act on its behalf during the Iberian aid negotiations in 1999 precisely because Brussels considered the state a more legitimate actor in the aid policy process, not because BA lacked resources or a lobbying infrastructure in Brussels.

*Scenario (iv)  $MS_x \rightarrow$  (potentially)  $T_{\rightarrow C} \rightarrow C_{avi}$ : Privatisations Spain’s PSOE.*

Dissimilar to the aids above that were notified by the Spanish PP, the Conservatives during the second round in France, and the Fine Gael-Labour coalition in Ireland, those given to companies privatised by the Spanish Socialists were not notified to the Commission. Given suspicions of existence of aid incompatible with the Common Market, DG IV requested information in December, 1993, from Spain's Ministry of Industry on INI financial transactions since 1986 (when Spain joined the Community).<sup>lxi</sup> Within days of the request, however, the PSOE Industry officials stated Spain's refusal to comply.<sup>lxii</sup> The Commission made no subsequent request for information and, based on interviews with Commission Officials as well as analysis of Competition Policy reports, to this day has neither suspended nor forced formal notification of aids going to INI companies privatised by the Socialists.<sup>lxiii</sup> By not subsequently investigating the legality of the aids, the Commission effectively approved them. One may argue that this served the interests of economic actors who demanded and later received the aids during domestic level negotiations. As in the previous scenario, the firm did not need to take the single, uni-directional vector to Brussels. This time it was not because the MS lobbied on its behalf, but, rather, because the Commission unilaterally arrived at a decision approving the aids without any other actors' participation being required.

There are three potential explanations why the Commission allowed the privatisation aids through. The first relates to the staffing of the Commission. As suggested by one Commission official,<sup>lxiv</sup> DG IV understaffing impedes to a large extent the Commission from analysing cases beyond those notified, which is already greater than the Commission can handle with an average of over 500 cases per year.<sup>lxv</sup> Nevertheless, this explanation seems weak when considering the case of the Spanish Socialist privatisations: if the Commission truly lacked resources, it does not explain why it made the request to the INI in 1993 in the first place, or, why even something as simple as a follow up for more information in wake of state non-compliance to the first request was out of the question.

A second explanation is that a 'EU policy deal'<sup>lxvi</sup> was made with the Spanish Socialists: in exchange for the aids to 'go through untouched,' the Commission would receive in return Spanish support for other major EU policy initiatives. However, such an explanation is difficult to verify

based on analysis of potential EU policies that experienced (potential) opposition under the Socialists. Relying on Hix's<sup>lxvii</sup> framework of the 5 main areas of EU policies – namely, regulatory, redistributive, economic and monetary, internal security, and foreign policies – one can see that the Socialists had few qualms with any EU initiatives in the early-mid 90s as reflected in comments by Prime Minister González.<sup>lxviii</sup> The only potential contention may have related to changes to the structural funds (which would have provided less EU budget financing) and the McSharry CAP reforms (which attempted to boost competitiveness in agricultural production.)<sup>lxix</sup> Yet, Spanish eventual acceptance of these may be explained not because of any potential state aid trade-off made by the government, but, rather, because of the country's ability to negotiate related preferences. That is, at the Council level Spain was able to receive increased Community financing by way of the Cohesion Funds established in 1994 and to maintain generous subsidies on Spanish products, such as olives and flax.<sup>lxx</sup>

A third, perhaps more cogent, explanation of the Commission failure to investigate Socialist INI aids extends on similar reasoning explaining why notified and investigated aids go through. When deciding whether or not to continue to pursue investigation of the PSOE aids, the Commission was faced with a dilemma as suggested by several officials.<sup>lxxi</sup> On the one hand, EU state aid control could be pursued guided by short-term goals of preventing unfair subsidies. And on the other, the aids could be allowed to pass guided by long-term larger Single Market goals concerned with free movement of capital in the integrated market and increasing overall market competitiveness, one means of which is to take the state out of the economy. Herein lies the EU deregulatory policy paradox with which the Commission was faced: EU deregulation stresses the movement towards a competitive market wherein the state plays a limited role in the capitalist economy and private capital can thrive, while it also allows theoretical penalization of states implementing means consistent with such ends if unfair state aid is granted. Aware of this paradox, officials realized that regardless of aids that were given by the Socialists, the overall privatisation policy *was* consistent with the general thrust of Single Market goals encouraging economic liberalization, increasing industrial competitiveness, and free movement of capital in the EU.<sup>lxxii</sup> By not having to place itself in a position where aids had to be reviewed and

potentially stopped (scenario *iii* above) the Commission did not have to either discourage states retreating from the economy or hinder the expansion of European capital into the single market. After all, key multinationals from outside Spain negotiated with the Socialists, such as Germany's VW (that bought Seat), Italy's Fiat (Enasa) and France/UK's GEC-Alsthom (MTM-Ateinsa). The developments thus suggest that, guided by goals of liberalization, the Commission unilaterally acted in the interests of capital without its participation. As clearly emerging from interviews with DG IV officials, *rapporteurs* and higher-ranking bureaucrats do not operate in a vacuum and they are indeed aware of their larger economic environment: difficult decisions will be made by not only considering the evidence of the case, but also taking into account the wider context of Community economic priorities.

## **Conclusions**

This paper has considered the role of the firm in what we have defined as 'overlap issues' found in European governance. These are issues where two separate, but related, domestic and supranational decisions must be taken at both levels. We argued that these issues theoretically allow economic actors to take single, uni-directional vectors to influence public policy at both levels of European governance, where the vector stems from the domestic-level and extends to the European one. The particular overlap issue examined has been state-aids given during privatisations in Spain, France and Ireland and the subsequent approval of such aids at the supranational level.

The evidence suggested that the uni-directional vector of influence theoretically existing in this overlap issue took economic actors to Madrid, Paris, and Dublin, but it did not take them directly to Brussels. In other words, direct participation of economic actors with core-executives from the Finance Ministries explain the large quantities of privatisation aid negotiated at the domestic-level. This can be understood based on the self-supporting goals of both economic and political actors. Nevertheless, the direct participation of these same economic actors did not take place in the aid approval process at the supranational one. The latter dynamics can be explained based on one of two reasons. First, in cases where the state aid was notified, the Commission

accepted the aid due to the influence of the Member State (MS) that ‘lobbied’ on behalf of the economic actors. In this scenario, economic actors purchasing the privatised companies intentionally abstained from political activity given that the MS consisted of executive leadership that was willing to lobby on behalf of the firm and because the MS had more legitimacy as policy actors in Brussels’ eyes. Secondly, in cases where the MS did not notify the aid, the Commission unilaterally accepted it without investigation and thus acted in the firms’ interest without their (or any advocate’s) participation being required. This can be explained not because the Commission either lacked resources or made a ‘policy-deal’ with member states. Rather, the Commission was guided and constrained by EU policy paradoxes that stressed, on the one hand, short-term state aid control and, on the other, long-term European market competitiveness.

Given the above empirical findings, it is useful to extract how this study may increase our understanding of the political activity of economic actors in Europe. However, it is also necessary to highlight limitations to this study on three grounds. First, this paper deals with what we refer to as ‘overlap’ issues in European governance. This implied that the potential vector of influence to be taken by firms would be uni-directional, stemming from the domestic-level and extending to the European one. Where there is possibility for multi-vectors to be taken as occurs in other issue areas studied by those such as Coen, economic actors may face more uncertainty. This may subsequently affect their strategies and result in a more complex interplay between both levels of governance than captured in this study. Secondly, the examination has focussed on a limited area within EU competition policy in which there is policy overlap. From this perspective, the analysis is limited to lessons for privatisations and state aid decision-making, leaving future researchers to examine if such dynamics exist in other overlap issues such as ‘restrictive practices’ or ‘mergers.’ And third, we have examined developments at the domestic and EU levels focussing on only three of the fifteen EU states. Although many of the buyers of privatised firms were representative of strong capital actors, both national and supranational level dynamics may differ when the strong executive leadership is lacking.

The first main insight, based on the experience when aid was notified, relates to economic actors’ EU lobbying strategies and why such strategies are sometimes taken. As previously noted,

several 'elite plural' authors such as Coen, and Wallace and Young have demonstrated that private actors have increasingly attempted to influence Brussels either through direct lobbying or through their member states. Indeed, the findings regarding notified state-aid are consistent with the idea that even though they may make no direct lobbying efforts, firms sometimes utilise the Member States to act as their lobbying tool in Brussels. Complementing this idea, this study has also demonstrated that in overlap policy issues where Brussels' policy-making is centred around the Commission, firms use the MS to battle directly against the Commission: strong core-executive leadership which is willing to make ties with economic actors is effectively utilised to perform a face-off. The reason why this strategy is taken is not only because the MS offers solid leadership, but also because Brussels sometimes may not consider the firm to be a desirable policy actor. Ignoring this lack of legitimacy and pursuing direct lobbying would have meant that private actors would have risked losing outcomes previously secured during (risk free) domestic level bargaining. Because political activity in Brussels meant that end-payoffs would be potentially smaller than with non-activity, it seemed a reasonable strategy for economic actors to remain silent, if not hidden, in order to achieve their desired choices. This suggests that at times economic actors will not seek a privileged EU policy-making position. Rather, they sometimes may have strategic reasons for intentionally abstaining from direct political action in Brussels, even though the outcomes of this level's policy-making process may have a direct impact on them.

The second insight drawn from this study, based on the findings when aid was not notified, helps scholars reflect on assumptions underlying many of the studies of EU interest group behaviour from the pluralist/corporatist/elitist perspectives as mentioned in the beginning of the paper. Such studies assume that there is observable conflict in the policy-making process and that direct participation, or through an intermediary, is necessary for private actors in order to attain outcomes in their interest. However, this paper has presented some evidence suggesting that observable conflict does not occur even though final outcomes in economic actors' interest are achieved. As discussed above, state aid developments under the Spanish Socialists witnessed the Commission unilaterally deciding in favour of unnotified aids by not pursuing investigation. It

was argued that the Commission chose long-term goals of creating a competitive European economy (characterized by free movement of capital and state-economic retreat) over short-term infringements of Community regulations (on state aid control.) In such a scenario, policy preferences of capital actors were thus heard without having to raise voices. With this in mind, it is relevant to note what Przeworski and Wallerstein argue:

The effective capacity of any government to attain whatever are its goals is circumscribed by the public power of capital.... It does not matter who the state managers are, what they want, and whom they represent.... Capitalists do not even have to organize and act collectively: it suffices that they blindly pursue narrow, self-interest to sharply restrict the options of all governments.<sup>lxxiii</sup>

Even though economic actors may not directly participate in the EU policy-making process, or even have any type of representation acting on their behalf, there are times that EU public policy may still be biased in favour of their interests given the capitalist economy within which the political system functions. The actions of EU officials will be at times “relatively autonomous” – decisions may be taken unilaterally, but they will be structurally bound within the capitalist economic framework. With this in mind, EU scholars may reconsider taking the trodden path leading to further analyses of key actors in the (formal or informal) Brussels’ policy process. Rather, they may envisage taking a less travelled one leading to further analyses of how sometimes supranational actors will act relatively autonomous in the interests of economic actors and how EU public policy may be structurally dependent on capital.

**Table 1 – Main privatisations in the Spanish INI/SEPI 1986-2000**

Year	Company	Sector	Buyers	State Aid Given During Sale (Pesetas)?	State Notification/ Commission Review of Aid
1986	Seat	Automobiles	Volkswagen A.G	Yes – 34.0 billion	No
1986	Fovisa	Steel	Grupo GKN	Yes – 2.08 billion	No
1987	Purolater Ibérica	Car Parts	Knecht Filterwerke	Yes – 319.6 million	No
1987	Acesa	Construction	Flotation	No	N/A
1988	Endesa	Electricity	Flotation	No	N/A
1989	Astican	Naval Construction	Italmar	Yes – 763 million	No
1989	MTM-Ateinsa	Transport Equipment	GEC Alsthom	Yes – 20.88 billion	No
1989	Enfersa	Fertilizers	Ercros	Yes – 6.96 billion	No
1989	Pesa	Electronics	Amper, S.A.	Yes – 1.75 billion	No
1991-1993	ENASA	Truck Makers	Fiat	Yes – 28 billion	No
1996	Sefanitro	Aluminum	Fertiberia	No	N/A
1997	Almagrera	Mining	Navan Resources	Yes - 6.72 billion	Yes
1997	Auxini	Construction	OCP	No	N/A
1998	Productos Tubulares	Steel Tubes	Tubos Reunidos	Yes - 25.02 billion	Yes
1998	Enagas	Natural Gas	Gas Natural	No	N/A
1998	Inespal	Aluminum	Alcoa	Yes ~ Amount Unknown	Yes
1999	Astander	Shipbuilding	Italmar	No	N/A
1999	G. Enatcar	Transport Veh.	Alianza Bus	No	N/A
1999	Iberia	Airlines	7 Institutional Partners (see text)	Yes – 20 billion	Yes

Sources: INI/SEPI Annual Reports, 1985-2000, *Dinero*, (29 de enero, 1996); *Cinco Dias*, (29 de septiembre 1995), author analysis of INI/SEPI Internal Documents (for privatisations between 1986 and 1993); Official Journal (OJ), No. C245/7, 12/8/97 (Almagrera); OJ, C09/6, 30/12/98 (Productos Tubulares); and OJ 211/16, 7/7/98 (Inespal)

**Table 2 – Main privatisations in France**

<b>Year</b>	<b>Company</b>	<b>Sector</b>	<b>Buyers</b>	<b>State Aid Given During Sale (FFr)?</b>	<b>State Notification/ Commission Review of Aid</b>
1987	Société Général	Banking	Flotation	No	N/A
1987	Havas	Telecom	Flotation	No	N/A
1987	TF1	Television	Flotation	No	N/A
1987	Saint Gobain	Manufacturing	Flotation	No	N/A
1987	Sogenal	Insurance	Flotation	No	N/A
1987	Groupe Paribas	Banking	Flotation	N/A	N/A
1993	Bull	Electronics		Yes –16 billion	Yes
1997	GAN	Insurance	Flotation	Yes –23.6 billion	Yes
1998	SMC	Banking	Banque Chaix	Yes –6.3 billion	Yes
1999	Thomson	Electronics	Flotation	Yes - 11 billion	Yes
1999	Crédit Lyonnais	Banking	Flotation	Yes - 100 billion	Yes

Sources: Competition Policy Newsletter, No. 3, October 2000; OJ, No. C.90/3, 1997 (Thomson); OJ L 067, 7/3/1998 (Thomson); OJ C202/6, 1991 (Bull); OJC244/2, 1992 (Bull); OJ C346/3, 1993 (Bull); OJ C80/4, 1994 (Bull); OJ L386/1, 12/10/1994 (Bull); OJ L198, 30/7/1998 (SMC); OJ C149/5, 12/3/1997 (GAN); OJ L308, 21/12/1995 (Credit Lyonnais); OJ C390, 24/12/1996 (Credit Lyonnais); OJ L 221, 8/8/1998 (Credit Lyonnais)

**Table 3 – Main privatisations in Ireland**

<b>Year</b>	<b>Company</b>	<b>Sector</b>	<b>Buyers</b>	<b>State Aid Given During Sale (IRP)?</b>	<b>State Notification/ Commission Review of Aid</b>
1990	Irish Life	Insurance	Flotation	No	N/A
1990	Irish Sugar Company	Sugar Production	Flotation	No	N/A
1991	B&I Shipping Co.	Marine Transport	Irish Ferries	No	N/A
1996	Irish Steel	Steel Production	Ispat	Yes-38.30 million	Yes
1996-1999	Telecom Eirann	Telecom	KPN, Telia, and Flotation	No	N/A

Source: Author(s) own research and OJ No. L121, 1996/05/21.

**Table 4 – Iberia Sale**

<b>Partner</b>	<b>% Sold</b>	<b>Value (Million of Pesetas)</b>	<b>Price Paid</b>	<b>Difference</b>
BA	9	52200	40950	-11250
American	1	5800	4550	-1250
Caja Madrid	10	58000	45500	-12500
BBVA	7,3	42340	33215	-9125
Logista	6,7	38860	30485	-8375
El Corte Ingles	3	17400	13650	-3750
Ahorro Corp.	3	17400	13650	-3750
<b>Total</b>	<b>40</b>	<b>232000</b>	<b>182000</b>	<b>-50000</b>

Source: El Pais 3/10/99, El Pais, 19/10/99, El Pais, 8/04/2001.

## Endnotes

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<sup>ii</sup> R. Dahl, *Who Governs* (London: Yale UP, 1961)

<sup>iii</sup> S. Mazey and J. Richardson, (eds.), *Lobbying in the European Community* (Oxford: OUP 1993). See also, Pedlar and Vanschenden *Lobbying the European Union: Companies, Trade Associations and Interest Groups* (Aldershot: Dartmouth, 1994)

<sup>iv</sup> J. Greenwood, J. R. Grote and K. Ronit (eds.), *Organized Interests and the European Community* (London: Sage 1992).

<sup>v</sup> P. Schmitter and G. Lembruch, *Trends Towards Corporatist Intermediation* (London: Sage 1979).

<sup>vi</sup> Coen, 1997, "The Evolution of the Large Firm as a Political Actor in the European Union", *Journal European Public Policy*, Vol. 4 No. 1.

<sup>vii</sup> C. Lindblom, *Politics and Markets* (NY: Basic Books, 1977)

<sup>viii</sup> Several pieces have been influenced by this school of thought attempting to understand businesses influence on EU policy-making given the new centre of European governance. For example, see Green Cowles, "The Changing Architect of Big Business," in J. Greenwood and M. Aspinwall (eds.) *Collective Action in the European Union* (London: Routledge 1998); Green Cowles, "The EU Committee of AmCham: the powerful voice of American Firms in Brussels," *Journal European Public Policy*, Vol. 3, No 3, 1996, pp. 339-58; and Bennet, R. J., "The Impact of European Economic Integration and Business Associations: The UK Case," *WEP*, Vol. 20, July 1997, No. 3, 61-90.

<sup>ix</sup> S. Hix, *The Political System of the European Union* (London: Macmillan 1999), p. 206.

<sup>x</sup> D. Coen, "The European Business Interest and the Nation State: Large Firm Lobbying in the European Union and Member States," *Journal Public Policy* Vol 18, Part 1, January 1998, 85

<sup>xi</sup> Coen, 1998, 96

<sup>xii</sup> Coen, 98, 97. This argument is also repeated in a later study that contends that "while the EU institutions have increasingly become the primary focus of big business, the national channels continue to be of great significance to a well-structured lobbying strategy." Please see D. Coen, "The Impact of U.S. Lobbying Practice on the European Business-Government Relationship," *California Management Review* 41/4 (Summer 1999), 34

<sup>xiii</sup> A. Young and H. Wallace, *Regulatory Politics in the Enlarging European Union* (Manchester: Manchester University Press, 2000)

<sup>xiv</sup> G. Majone, *Regulating Europe* (London: Routledge, 1996)

<sup>xv</sup> M. Thatcher, *The Politics of Telecommunications* (Oxford, OUP, 1999)

<sup>xvi</sup> Wright, "Chacun privatise à sa manière" in *Les Privatisations en Europe Programmes et Problèmes* (Poitiers: Actes Sud, 1993), 31, 46.

<sup>xvii</sup> T. Prosser and M. Moran, "Conclusions: From national Uniqueness to Surpanational Consistution" in Moran and Prosser (ed.), *Privatisation and Regulatory Change in Europe* (Buckingham: Open University Press, 1994), 148-153.

<sup>xviii</sup> European Commission, *24th Report on Competition Policy* (Luxembourg: OOP 1994).

<sup>xix</sup> Prosser and Moran, 1994, 152.

<sup>xx</sup> M.P. Smith, "Autonomy by the Rules: The European Commission and the Development of State Aid Policy," *Journal Common Market Studies*, Vol. 36, No. 1, March 1998, p. 67.

<sup>xxi</sup> V. Schmidt, "Running on Empty: the end of Dirigisme in French Economic Leadership", *Modern and Contemporary France* 1997 (2), 229-241.

<sup>xxii</sup> In Ireland, important public sector companies, such as Bord Gas (Natural gas), Aer Lingus (Airlines), and the Electricity Supply Board have yet to be privatised. See J.S. Vickers, "Privatisation, regulation and Competition: Some Implications for Ireland," in A. Gray (ed.), *International Perspectives on The Irish Economy* (Dublin, Indecon 1997)

<sup>xxiii</sup> Given the highly confidential nature of such operations, as is especially the case in Spain and France, the information has been compiled based on analysis of company reports, interviews with governmental officials, and examination of internal documents over a four year time period. Spanish privatisations were analysed in 1996-1998 inclusive as well as December-January 1999 and 2000 on site in Madrid; Irish

privatisations were analysed from November 1999 until January 2001 in Dublin; and French privatisations were studied from September 2000-August 2001 in Paris and Dublin.

<sup>xxiv</sup> In Spain the PSOE (Socialists) ruled between 1982 and 1996 and the PP (Christian Democrats) from 1996 until present. In France the Conservatives (RPR and UDF) were in power between 1986 and again between 1993 and 1997, while the Socialists and their allies were in power between 1988 and 1993 and from 1997 onwards. In Ireland, the Fine Gael-Labour coalition granted aid to Ispat.

<sup>xxv</sup> C. Boix, 1997. "Privatising the Public Business Sector in the Eighties: Economic Performance, Partisan Responses and Divided Governments," *British Journal of Political Science* 27, 1997, 473-496.

<sup>xxvi</sup> P. Heywood, *The Government and Politics of Spain* (London: Macmillan, 1996), pp. 134-7.

<sup>xxvii</sup> R.S. Chari, "Spanish Socialists, Privatising the Right Way?", *West European Politics*, Vol 21. No. 4. October 1998, pp. 165-71.

<sup>xxviii</sup> Analysis of the MTM-Ateinsa internal documents housed in the offices of the former INI (SEPI) in Madrid took place in October, 1996.

<sup>xxix</sup> PT information is based on interviews with 3 Officials in the Ministry of Economy and Finance in Madrid, December 2000.

<sup>xxx</sup> M.Cini and L.McGowan, *Competition Policy in the EU* (London: MacMillan, 1998), p. 151

<sup>xxxi</sup> *El Pais*, 3<sup>rd</sup> October, 1999.

<sup>xxxii</sup> M. Bauer, "The politics of state-directed privatisation: the case of France 1986-88", *West European Politics*, Vol. 11, No. 4, October 1988, p. 5

<sup>xxxiii</sup> *Ibid.*, p. 57.

<sup>xxxiv</sup> M. Maclean, "Privatisation in France 1993-94: new departures or a case of *plus ca change?*", *West European Politics*, Vol. 18, n.2, April 1995, p. 276.

<sup>xxxv</sup> The ENA (National School of Administration) provides training for future professionals and high ranking cadres in the public administration, private and public sector and politics. The personal ties and the shared education make the networking among alumni both very secretive and efficient. For an in-depth analysis of the French bureaucracy, see R. Elgie and S. Griggs, *French Politics. Debates and Controversies* (London: Routledge 2000).

<sup>xxxvi</sup> H. Feigenbaum, J. Henig and C. Hamnett, *Shrinking the State* (Cambridge: CUP 1998).

<sup>xxxvii</sup> The funding for these operations was generated early in the second round with the sales of Banque Nationale de Paris, Rhône-Poulenc, Elf-Aquitaine, UAP and CLF. Maclean, 'Privatisation in France', p. 284.

<sup>xxxviii</sup> *The Economist*, February 6th, 1999.

<sup>xxxix</sup> *The Economist*, June 19th 1999.

<sup>xl</sup> Information on the sale of Irish Steel was given during interviews with 2 officials from the Department of Finance, interviews in Dublin February-March 2000. Similar points regarding the financial aspects of the sale are also seen in the approval of state aid by the European Commission (Official Journal No L121 p. 16 1996/05/21).

<sup>xli</sup> V. Schmidt, "The Changing Dynamics of state-society relations in the Fifth republic" *WEP* 22(4), October 1999, 147-151.

<sup>xlii</sup> R. Elgie, "Political Leadership in Liberal Democracies" (London: MacMillan, 1995,) 77.

<sup>xliiii</sup> Heywood, "Power Diffusion or Concentration? In Search of the Spanish Policy Process", *WEP*, Vol 21(4), October 1998, 105-107.

<sup>xliv</sup> B. Farrell, "The Government" in J. Coakly and M. Gallagher (eds.) *Politics in the Republic of Ireland* 2nd edition (Dublin: PSAI Press, 1996), 188

<sup>xlv</sup> The exception to this are cases of transportation companies which are monitored by DG VII.

<sup>xlvi</sup> Cini and McGowan, *Competition Policy*, pp.139-43.

<sup>xlvii</sup> P.J. Slot. "Procedural Aspects of State Aid: The Guardian of Competition versus the Subsidy Villains", *Common Market Law Review*, Vol. 27, 1990, pp. 741-60.

<sup>xlviii</sup> Cini and McGowan, *Competition Policy*, p.140

<sup>xliv</sup> Analysis of Commission developments surrounding PT is based on analysis of the Commission's final decision. Although there is a note on the main aspects of the decision found in OJ, C09/6, 30/12/98, DG IV officials were kind enough to allow access to its full details, which is found in form of a letter written to S. D. Abel Matutes of the Spanish government dated 18-08-1998.

<sup>l</sup> Analysis of developments surrounding Iberia is based on interviews with SEPI officials in Madrid (December 2000) and study of Commission decisions in OJ C241, 26/8/1999 and OJ L104, 27/4/1996.

<sup>li</sup> Interviews with Irish officials, in Dublin, January 2001; for the Irish Steel final decision reached by the Commission please see OJ No L121, 1996/05/21.

<sup>lii</sup> Interviews with DG IV Officials held in Brussels, March 2001.

<sup>liii</sup> According to Commission officials, a main aspect of economic viability is based not only on the

immediate investment projects planned for the company, but also on the debt to equity ratio. A low debt to equity ratio generally means that it is easier to attract future financing for the company. Thus, the lower the debt to equity ratio is, which is generally the case after a state aid is given as debt will be reduced and equity of the company will be increased, the more viable a company is considered to be for the future. Interview with Spanish banking officials, in Madrid, September-December 1996 and DG IV Officials, in Brussels, March, 2001.

<sup>liv</sup> Interview with DG IV official, Brussels, March 2001

<sup>lv</sup> Interviews with DG IV rapporteurs, Brussels May 2001.

<sup>lvi</sup> Interviews with Commission Officials, Brussels, March 2001 and May 2001

<sup>lvii</sup> B. Eberlein, "To regulate or not to regulate Electricity: Explaining the German Sonderweg in the EU Context," *Journal of Network Industries*, vol. 2, 2001.

<sup>lviii</sup> Interview with a DG IV official, Brussels, March, 2001.

<sup>lix</sup> Interview with a DG IV official, Brussels, May, 2001.

<sup>lx</sup> The aid given to Air France in 1994 amounted to FFr 1.5 billion and that to Iberia was Pts 130 billion. Please see *The Economist* 5 Feb 1994 and 9 Dec 1995 respectively. It is also worth mentioning that that even though different state aid cases have seen companies such as Lufthansa, British Steel, Pressage, Ford, BMW and DB lobbying very hard against state aids in Brussels, such a dynamic was not manifest in any of the privatisation aids studied in this paper. This may be explained based on the idea that actors which have previously attempted to lobby against aids – such as BA – were actually purchasers of some of the privatised companies studied here.

<sup>lxi</sup> *Cinco Días*, 1 de diciembre, 1993, p. 1

<sup>lxii</sup> *Ibid.*, p. 1

<sup>lxiii</sup> Interviews Commission Officials, April 1997 and February 2001, and analysis of Competition Policy Reports 1993- 2000. There are no time limitations regarding when investigation surrounding an aid may be started by the Commission.

<sup>lxiv</sup> Interview with a DG IV official, Brussels, March, 2001.

<sup>lxv</sup> Based on data of cases between 1989-1998, as found in the Commission, *Twenty-Eight Report on Competition Policy 1998* (Luxembourg: CEC, 1998)

<sup>lxvi</sup> This argument is based on conversations in Madrid with the late Vincent Wright in January 1998.

<sup>lxvii</sup> S. Hix, *The Political System*.

<sup>lxviii</sup> F. González, "La Europa que quiere España", *Política Exterior*, Vol VI, No 30, 1993; F. González, "Pilotar Europa Hacia su Rumbo", *Política Exterior*, Vol. IX, No. 46, 1996

<sup>lxix</sup> Hix, *op cit.*, 252.

<sup>lxx</sup> Hix., *op cit.*, 258-260; *Cambio 16* 4 de junio, 1999, 17. For a discussion of flax (lino) subsidies in Spain please see, M. Kerby and R. S. Chari, "Policy Scandals: A Spanish Case," *Government and Opposition* (forthcoming Summer 2002.)

<sup>lxxi</sup> This point was raised by DG IV officials in interviews held in December 1997 as well as February, March and May 2001.

<sup>lxxii</sup> These were first articulated in 1985 as a means to make the European capitalist market competitive vis-à-vis larger ones such as Japan and the United States. See European Commission, *Completing the Internal Market: White Paper on the Commission the European Council*, COM(85) 310 (Luxembourg: OOP, 1985).

<sup>lxxiii</sup> Przeworski and Wallerstein, "Structural Dependence of the State on Capital," *American Political Science Review*, 1988, 82, 11-12.