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INDUSTRIAL LOBBYING
WITHIN THE
EUROPEAN UNION:
ACTORS, STRATEGIES,
AND TRENDS IN THE
MULTI-LEVEL SYSTEM

Stefanie John
Daniela Schwarzer

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FOREWORD

Deepening transatlantic economic integration has brought mutual benefit to the United States and Europe, but it has also created new potential for transatlantic conflict. In an increasingly integrated marketplace, legal and regulatory issues that were once considered purely domestic affairs can provide fodder for U.S.-European disputes. When disparate approaches collide or new directives or regulations are issued, there can be far-reaching consequences for businesses that operate in multiple markets.

For businesses and interest groups, puzzling through the intra-EU dynamics that shape EU approaches and regulations is increasingly necessary but often difficult. For while much competence has migrated to the European Union, the national capitals of the EU member states can still wield significant influence over outcomes.

Understanding who and what drives debates on regulatory matters, both at the national and EU level, is no easy task. Like their counterparts in the United States, European firms must contend with the multiple pressures of globalization. These pressures are also felt by the governments of the EU member states, who seek not only to remain globally competitive, but must also respond to societal demands related to their welfare systems and environmental and other concerns.

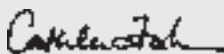
Input from businesses, associations, and interest groups that might be affected by EU directives and decisions can be useful in ensuring that the outcome represents a sustainable balance between these often competing impulses. Lobbying is thus an important vehicle for firms to convey information and expertise, communicate interests, and shape the outcomes of regulatory and legislative activities.

In their report, *Industrial Lobbying Within the European Union: Actors, Strategies, and Trends in the Multi-Level System*, Stefanie John and Daniela Schwarzer explore the complexities of lobbying and decision-making in the European Union, using the example of the automotive industry. They examine key differences between the lobbying processes of the EU and the United States, decipher the decision-making processes in the multi-level European system, and use a case study on emissions regulation to explore the structures and patterns of lobbying activities, pointing out the strategies that have been successful in the complex EU system.

This report serves as a companion volume to the recently published Policy Report, *The Stresses of Deep Integration* by Bruce Stokes, which provided an overview of the central issues topping the U.S.-European agenda as a consequence of growing interdependence. Both reports are part of a series of analyses, undertaken with the generous support of the DaimlerChrysler-Fonds im Stifterverband für die Deutsche

Wissenschaft, examining the historical/cultural, institutional, political, and economic context of transatlantic economic, regulatory, and policy approaches and the way that these factors shape our respective responses to the challenges of remaining competitive in a global market.

We are grateful to Stefanie John and Daniela Schwarzer for their comprehensive overview of the lobbying process in the EU—a process that is little-understood by many in the United States. We are particularly thankful for the sustained support of the DaimlerChrysler-Fonds im Stifterverband für die Deutsche Wissenschaft for this project and the Institute's work. I would also like to express my gratitude to Dr. John Starrels, Senior Fellow-in-Residence, who has helped immeasurably to shape and guide this series of reports, and to Ilonka Oszvald for her expert assistance in the editing and preparation of the manuscript.



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CHAPTER ONE

INTRODUCTION

One of the recurring issues in the contemporary debate on globalization relates to the competitive pressures facing the industrial sector in the European Union (EU), in particular their effects on national economic and welfare systems. While global competitors and shareholders exert increasing pressure on industrial corporations, policymakers are increasingly concerned about producers (i.e. job-providers and taxpayers) outsourcing work abroad or closing domestic production sites altogether. As a result, companies and policymakers have a strong mutual interest: They each seek to ensure the competitiveness of companies in the context of global competition. Meanwhile, policymakers must also respond to societal demands, for instance for environmental protection. Hence, there are also policy initiatives that industrial actors may see as detrimental to their goal of increasing competitiveness.

The automotive industry lends itself to a practical illustration of the above observations: It is one of the most important industrial branches of the EU, comprising 7 percent of total manufacturing output and contributing 7 percent of total European manufacturing employment.¹ It furthermore provides for 20 percent of total European manufacturing research and development, and is a driving force behind the advance of new technology and innovations throughout the economy. It is also an important source of fiscal revenue: In 2003, the combined total income from the road sector reached €346 billion or 8 percent of total general government revenues. Traditionally, the European automotive sector was comprised of nationally-rooted companies often with a semi-public ownership. This has changed in recent decades: Transnational and transcontinental mergers and acquisitions, as well as the globalization of the market in general, have turned the large automotive companies into global players. Within the EU, the

creation of the common market—which includes a European competition policy exercising tough control over state aid—reduced the scope for protectionist policies towards the automotive industry. Despite these measures, lobbying, especially in the sense of influencing legislation, remains an important corporate activity. The automotive industry has to respond to a multitude of regulatory initiatives, many of which directly affect their global competitiveness.

Lobbying here is understood as any attempt to promote corporate interests vis-à-vis the public sphere. The most obvious forms are attempts to influence the outcomes of regulatory and legislative activities. Lobbying also includes the supplying of information,² since this can promote corporate interests. Seen in this way, it is not only the corporate side that has an interest in lobbying. Political decision-makers need interest groups for the provision of specific information if they are to formulate adequate

legislation. They also rely on interest groups for the implementation of certain decisions. There is ample evidence that interest groups play a crucial role in the decision-making process by transmitting information to the relevant policymakers as they are better informed about the issues that affect them.³

This study concentrates on the lobbying of legislative and regulatory processes. In the face of increasing regulatory activities on the part of EU institutions, which result from the continuous transfer of decision-making power from the national to the community level, EU institutions are today a highly relevant policy arena for business interests. Furthermore, the imperative of the single market logically makes the EU the relevant level for many decisions concerning competition, standardization, and competitiveness. The economic and political importance of the automotive industry in the EU, and the fact that the interests of this industry lie at the cross-roads of several policy fields with partly competing aims (e.g. environmental legislation vs. liberalization), make this a prime field for the investigation of recent trends in EU lobbying.

This study explores the specificities of automotive lobbying in the European Union focusing on structures, actors, and strategies in the unique multi-level system of the EU. While it is not a comparative analysis of the EU and the United States, some important differences between both systems are discussed. Chapter 2 provides a general overview of the importance and structure of automotive industry in the European economy. Chapter 3 turns to decision-making processes in the multi-level system, paying special attention to the features of relevance for regulatory activities. Against this background, Chapter 4 describes the channels and strategies through which automotive companies promote their interests on the EU and national levels. Chapter 5 provides empirical evidence for the structures and patterns of lobbying activities identified in the previous chapters by presenting a case study on emissions regulation. Chapter 6 concludes and brings together the insights from all the chapters, focusing on the question of which strategies for industrial lobbying have proven successful under the complex conditions of the EU system.



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CHAPTER TWO

THE EUROPEAN AUTOMOTIVE INDUSTRY

Global demand for automobiles rose in 2004. In contrast to the American and western European markets, where only slight gains were recorded, sales in the Mercosur countries picked up strongly. In central and eastern Europe, automobile sales once again showed marked growth and the dynamic sales trend in most Asian markets continued. Last year, a total of around 63 million motor vehicles were produced world-wide—5 percent more than in the previous year. Europe (including Turkey) leads with a share of 33 percent of world production.

The EU's production of motor vehicles is highly concentrated, mainly in Germany, where close to half of the EU total value added (45 percent) is generated. Further important countries are France (17 percent), the United Kingdom (11 percent), Italy (7 percent), Spain (7 percent), and Sweden (6 percent).⁴ While the share of central and eastern European car manufacturers is less important in terms of EU total value added, the automotive industry plays an important role in the national economies of both the old and new member states, as Figure 1 illustrates.

In the last decade, the automotive industry has undergone an important transformation. With the merger of DaimlerChrysler and other transcontinental mergers such as Renault-Nissan, a consolidation trend, which had previously left its marks through national or intra-continental mergers and acquisitions, was reinforced. These developments were accelerated with the opening to international competition of new and increasingly important markets such as eastern Europe, China, and Russia. The search for scale and scope economies by large manufacturers and the difficulty for smaller ones to sustain the investment

race have led to an ever decreasing number of independent manufacturers in the market. Figure 2 illustrates this trend, which has resulted in the reduction of the number of independent manufacturers from 36 in the 1970s to 14 in 2003.⁵

Despite the decline in the number of car manufacturers, competition in the regional, local, and niche markets has increased as larger companies are now present in all of them. Mergers and acquisitions have played an important role in the process by giving instant access to particular regions and niche markets and continue to do so. As a result, manufacturers have transformed from automobile companies into global automobile groups. Nevertheless, regional producers still manage to hold dominant market shares in their domestic markets.

The European car market is dominated by German and French brands, with American brands playing a minor role. The American market is heavily dominated by American brands; German brands play a less important role there than Asian brands do. The most closed market is the Japanese market, where

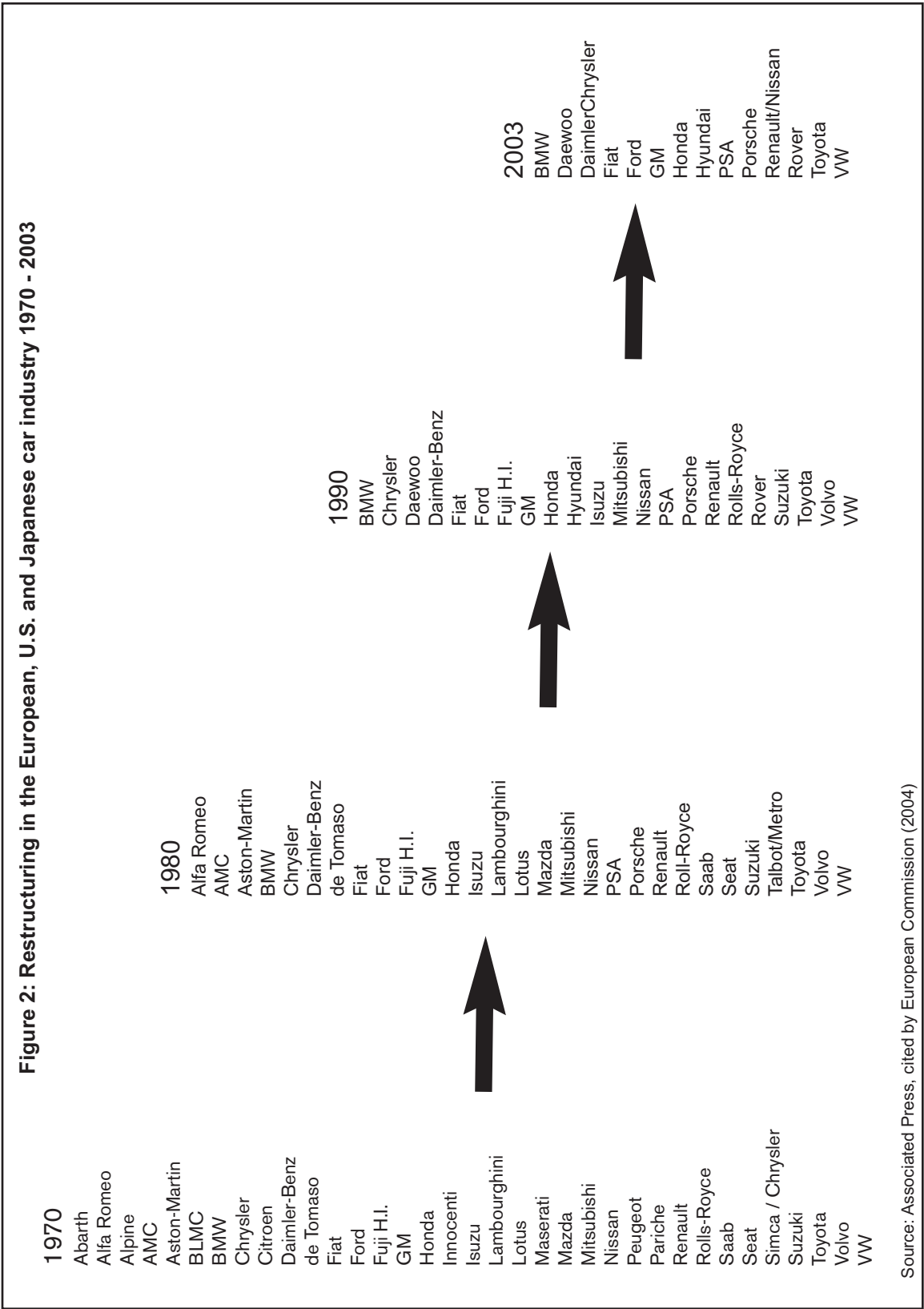
Figure 1: Share of Motor Vehicle Production in Total National Manufacturing in 2001/2002

Source: Own illustration based on European Commission (2004)

Japanese brands hold a market share of almost 95 percent. There are two complementary explanations for this phenomenon: Firstly, customers are driven by national awareness regarding car buying. Secondly, market barriers like (non-) tariffs, technical standardization, and harmonization influence the possibility for foreign brands to conquer market shares on other continents. Meanwhile, entering foreign markets remains a key challenge for the industry and is widely supported by the public sector, given the economic importance of the industry branch. In the EU, the most far reaching attempt is the CARS 21 initiative launched by the European Commission to develop a "Competitive Automotive Regulatory System for the 21st Century"; it delivered its first report essentially on recommendations for better regulation in 2005.⁶

This overview has revealed several important trends in the European automotive industry: Firstly, while the automotive industry is undergoing an important consolidation involving trans-continental mergers and acquisitions, markets remain dominated by regional or national players. Secondly, while the global market

shares of producers from emerging markets (Mercosur, Asia) remain less important than the EU producers' share, the former have a robust growth performance. Assuming a further (though slow) liberalization of trade in the automotive sector, the EU automotive industry will have to expect increasing competition from producers operating in a low-cost environment. Policies ranging from blunt market-protectionism through to attempts to raise the automotive sector's competitiveness by better regulation are likely to remain on the political agenda. Such policies are a result of an (in part explicitly sought) interaction between private interests and policymakers and hence have a major importance for our study of automotive lobbying in the EU. The nationally-oriented customer behavior observed above also has implications for the trends in automotive lobbying. While this customer behavior lies in sharp contrast to the globally active companies, the trend to "buy domestic" offers corporations a special opportunity to promote their interests through national channels and to place them on the EU's decision-making agenda.



Source: Associated Press, cited by European Commission (2004)



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CHAPTER THREE

EU MULTI-LEVEL GOVERNANCE AND DECISION-MAKING PROCESSES

The European Union is comprised of twenty-five member states forming an economic union. The EU's political system is neither a federal state nor an international organization and has no historical counterpart, which is why this multi-level system (including the supranational, the intergovernmental, national, and regional levels) has often been referred to as a construction *sui generis*. The EU system builds on the political-institutional system of the member states. But with the ongoing integration process, the nation states have transferred a degree of autonomy and certain competences to EU institutions and common decision-making processes, building an “ever closer Union,” as stated in the EU Treaty.

For business interests, the European Union, with its regulatory authority on the basis of the “first” or “community pillar” of the Nice Treaty, is today the most important policy arena in several policy fields (especially those dealing with the single market) that are relevant to their competitiveness. Studies suggest that 80 percent of national legislation is of European inspiration.⁷ Most legal scholars argue that the relationship between the European and the national levels is governed by one major rule: Community law has supremacy over national law. This development has an impact on the automotive industry, as issues like environmental protection, consumer safety, transport networks, as well as technical harmonization and standardization are decided on the European level and have to be implemented on the national level. This chapter discusses the EU institutions involved in the legislative process, i.e. the European Commission, the European Council, and the European Parliament. Special attention is paid to the degree to which these

institutions are accessible to interest groups and at which stage of the legislative process they become important sources for lobbyists.

The European Commission

The European Commission has two major functions: it watches over the implementation of the Common European Law on the national level and it has the right of initiative to put proposals and drafts on the political agenda within its competences defined by the European Treaties. This agenda-setting power makes the European Commission one of the major political actors within the decision-making process and an important addressee for legislative lobbying. Before presenting a proposal to the other political actors involved on the European and the national level, the Commission usually calculates which proposal will have a chance of being adopted, and where problems of implementation may lie. Through

its agenda-setting power and its strategy to pre-assess a feasible consensus among the actors, the Commission defines the field where the cows will graze. In many cases, it is precisely in this early stage of the policy process that special interest groups wish to have their say.

The European Commission is structured as follows: on the highest (i.e. the political) level, there are twenty-five Commissioners, each of whom has a Cabinet. The Commissioners are nominated by the national governments and need the approval of the European Parliament and the President of the Commission. The cabinet staff of the Commissioners are usually from the same national background of the Commissioner and are in most cases drawn from national administrations. Below the level of the Commissioners with their Cabinets, there are thirty-six Directorate-Generals (DGs), which are comparable to national ministries and basically structured along policy areas. While lobbying efforts are primarily directed towards the DG staff, cabinet staff and even Commissioners can make contact with corporate interests, for instance through participation in high-level conferences or the like.

The automotive industry can be viewed as a stakeholder in a wide range of policy fields e.g. industry, environment, consumer safety, research and development, and others. Automotive lobbyists hence address several different Directorate-Generals. In the past, these have been:

- **DG Enterprise and Industry** ensures that EU policies contribute to the competitiveness of EU enterprises and facilitate job creation and economic growth. It gives particular attention to the needs of the manufacturing industry and small and medium sized enterprises. In particular, the DG's activities are based on Articles 28, 29, and 30 (Free Movement of Goods), 95 (Internal Market), 152 (Public Health), 157 (Competitiveness) and Title XVIII (Innovation and Research) of the Treaty. The DG Enterprise and Industry employs over 930 people and is responsible for a budget of some €250 million. Its directorate "Competitiveness, International Market for Goods and Sectoral Policies" deals with topics of the automotive industry.
- **DG Environment**, with 550 staff, initiates and defines new environmental legislation and monitors the implementation of agreed measures by the member states. Of the DG directorates, two have been relevant to the automotive industry: The Directorate for "Air and Chemicals," especially the subject "Clean Air & Transport" and the Directorate "Sustainable Development and Integration," especially "Environment & Industry" and "Research, Science & Innovation."
- **DG International Market and Services** has a staff of approximately 440 and coordinates the Commission's policy on the European Single Market, aiming to ensure the free movement of people, goods, services, and capital within the Union. Relevant for the automotive industry is Directorate B on general questions of "Horizontal development policy," e.g. functioning of the international market, better regulation, etc.
- **DG Energy and Transport** is made up of some 1000 officials and works in close cooperation with other Directorate-Generals, for example in the fields of enlargement, the environment, research, and international relations. In particular Directorate D "Clean transport & sustainable development" and Directorate E "Inland Transport" are relevant for the automotive industry.
- **The DG External Trade** promotes the economic and political interests of the EU in all aspects of trade in goods and services (tariff and non-tariff barriers, trade defense, particularly in cases of dumping and subsidies, and export loans) as well as key aspects of intellectual property, investment, and competition. It defines trade interests in both defensive and offensive terms; it negotiates bilaterally, regionally, or multilaterally on the basis of negotiating directives proposed by the Commission and adopted by the Council. It also monitors and ensures the implementation of international agreements by using the World Trade Organization (WTO) dispute settlement systems. Issues related to the automotive industry are dealt with by different Directorates. Directorate C deals with questions of development and the management of free trade-agreements with Latin America,

ACP countries, and Iran. Directorate D covers the same issues but for the neighborhood countries and Southeast Asia. Directorate E deals with industrial related trade issue and bilateral trade relations with the United States, Canada, Australia, New Zealand, and EFTA. Furthermore, the questions of standards and certification and of automotive industry are handled in detail. Directorate F is responsible for the coordination of subjects of the WTO, the General Agreement on Tariffs and Trade (GATT), the Organization of Economic Cooperation and Development (OECD), and trade related assistance.

Lobbying in the Commission

Given its agenda-setting and drafting responsibilities in the earliest phase of policy formulation, the EU Commission is one of the prime targets for lobbyists wishing to influence EU regulation. Furthermore, it is an interesting venue for obtaining reliable information, particularly on planned or impending legislative measures. The EU Commission is a complex actor for external stakeholders to address. Its structure with thirty-six Directorate-Generals and its staff consisting predominately of twenty-five nationalities require lobbyists to have experience and close contacts based on mutual trust in order to obtain access (let alone influence). Each of the departments has its own methods for consulting its respective sectoral interest groups. The Commission, like any public bureaucracy, seeks to construct stable relationships with stakeholders, in order, for instance, to gain access to expert knowledge and to be able to pre-assess the impact of planned legislative measures and the chances for a smooth implementation. Apart from informal contacts with lobbyists, the Commission regularly conducts publicly announced consultations or involves lobbyists in "comitology" working parties or advisory committees.

In December 1992, the Commission started to formalize its dialogue with stakeholders through a Communication on its relationship with Special Interest Groups (SEC(92) 2272 final and SEC(92)2274 final). The Communication laid down five principles and a number of measures to increase transparency and define certain rules of conduct for

lobbyists and Commission officials. A White Paper and a Communication of Consultation Standards⁸ further refined these measures to structure the relationships and to increase transparency.

As a consequence of the rapidly increasing number of lobbyists in Brussels, the Commission has more recently sought to establish a kind of "inner core" of interest groups. This approach picks up on one objective the Commission put into its Communication as early as 1992: to give privileged access to (con)federations of representatives of individual or national organizations. The most recent move favors de facto a small number of well-established interest groups at the expense of a larger number of "non-aligned" or smaller ones. The result is "secondary lobbying," meaning that the less structured and less influential groups of corporate actors lobby those assumed to have access to the Commission.⁹ This tendency is probably less relevant for the automotive companies, from among which, after the recent consolidation, only a relatively small group of large players remain. However, it is likely that the Commission's new procedure will encourage action through business associations in the automotive supplier sector, which are often medium-sized companies.

The Council of the European Union

The Council is the EU's main decision-making body. It represents the member states, and its meetings are attended by one minister from each of the EU's national governments. Hence, it is the most important institution for formulating national interests on the European level. Depending on the Council's decision-making procedure (unanimity or qualified majority voting¹⁰) national governments are able to block Commission drafts when these are against national interests. Up to four times a year, the presidents and/or prime ministers of the member states, together with the president of the European Commission, meet as the "European Council." These "summit" meetings resolve issues that could not be settled at a lower level and define overall EU policy directions, giving the Council a major influence on the direction of integration and consequently on the European Commission's activities.

The Council of the European Union has six key responsibilities:

1. To pass European laws—jointly with the European Parliament in many policy areas;
2. To coordinate the broad economic policies of the member states;
3. To conclude international agreements between the EU and other countries or international organizations;
4. To approve the EU's budget, jointly with the European Parliament;
5. To develop the EU's Common Foreign and Security Policy (CFSP) based on guidelines set by the European Council; and
6. To coordinate cooperation between the national courts and police forces in criminal matters (see the freedom, security, and justice section).

There is formally one legal institution “Council” but its composition varies along the policy fields. For example, the ECOFIN (Economic and Financial Affairs Council) is composed of the economics and finance ministers of the member states, as well as the budget ministers when budgetary issues are discussed. Altogether there are nine different Council configurations: (1) General Affairs and External Relations, (2) Economic and Financial Affairs (ECOFIN), (3) Justice and Home Affairs (JHA), (4) Employment, Social Policy, Health, and Consumer Affairs, (5) Competitiveness, (6) Transport, Telecommunications, and Energy, (7) Agriculture and Fisheries, (8) Environment, and (9) Education, Youth and Culture. For automotive lobbyists, the Council configurations Consumer Affairs, Transport, Energy and ECOFIN (for trade issues) are relevant.

With the growing complexity and the increasing quantity of tasks, the daily work of the Council is handled by the administration below the ministry level, which takes 80 percent of the decisions. The Committee of the Permanent Representatives of the Member States (COREPER), is the major institution for dealing with the drafts by the Commission. The Permanent Representatives (national ambassadors) prepare the activities of the Council and carry out the assignments given by the Council. COREPER's decisions are based on the findings of the functional working

groups. The Permanent Representatives have a certain margin of negotiation granted them by national capitals, with which they also continually hold consultations in the course of the negotiations. Whenever an agreement is made on committee level, this is put on the Council's agenda as an A-point and will simply be rubber-stamped by the Council. The Council only discusses B-points. The ministers themselves seldom take decisions on B-points. Usually, these subjects are sent back to COREPER.

The Council as Lobbying Target

The Council is often called the least accessible institution for lobbyists. Its secretariat keeps no listings of lobbyists and argues that “all contact with lobbyists and NGOs is handled by the European Commission.”¹¹ Nevertheless, lobbyists influence Council decisions through contacts with national representatives, especially the permanent representatives. The parallels to the European Commission can be seen insofar as decisions are prepared at the working level as well. Only non-agreed upon issues are forwarded to a higher level within the administration. Hence, the highest demand for information (and thus potential openness to lobbyist contacts) exists on the working level. Additionally, the national administrations based in the member states are involved in the position finding process. Contacts with members of Council working groups are especially valuable if they allow access to reliable information about changes being made to draft legislation.

Successfully lobbying the Council requires a wide network of contacts to lobby representatives from several member states (with a special priority on the rotating presidency) and to monitor the closed working group sessions. Though it is impossible to generalize from this single case, the following example of Volkswagen (VW) shows in how far national business leaders may be able to exert direct influence on the national representative in the Council (Minister or Head of State or Government). In 1999, Ferdinand Piëch, CEO of the German car manufacturer VW, addressed the then fifteen EU governments in an open letter in his role of ACEA President, asking them to stop the “End of Life Vehicle Directive,” which was passed by Parliament and could have been adopted

by the Environment Council without further debate. Probably more important than this open letter to all member countries was Piëch's influence on German Chancellor Gerhard Schröder, a former Supervisory Board member of VW during his term as Minister President of Lower Saxony.¹² Germany held the EU Presidency at the time, and after the public intervention of Ferdinand Piëch it rapidly took the Directive off the Environment Council's agenda, conceding to the industry's interests. Companies had warned that car prices would rise if they were obliged to take back end-of-life-vehicles for free, an obligation aimed at making vehicle dismantling and recycling more environmentally friendly.

The European Parliament's Role within the Decision-making Process

Each revision of the EU Treaties has increased the power of the European Parliament in relation to the other institutions. Today, the European Parliament is firmly established as a co-legislator, has budgetary powers, and exercises democratic control over all the European institutions. As interest groups generally go where the power is, the European Parliament has been identified by interest groups as a new channel of influence. In most of the issues relevant for the automotive industry, it acts as a co-legislator.

The members of the European Parliament (MEPs) are elected every five years by the European citizens within their national election arena (while EU citizens resident in another member state have the right to vote in European elections in their host state). In theory, MEPs belonging to the same party family form a faction based on a common ideology in order to be able to better defend their interests. In reality, there can be important differences even within groups—between, for instance, the programmatic positions of a German Christian Democrat and a British Conservative, or a French Socialist and a Dutch Social Democrat. The stability of the factions therefore often depends on the willingness of the MEPs to compromise for the sake of a better, common, interest representation. MEPs formulate their interests not only with regard to the party family to which they belong, but also (and in some cases foremost) against their national background. Nearly three quarters of

the members of the European Parliament are representatives of countries in which the automotive industry is an important factor in terms of GDP and employment. Furthermore, Conservative and Liberal MEPs are more open to producer interests.¹³ On the other hand, social, environmental, and consumer interests, which may conflict with the interests of the automotive industry, also are well represented in the European Parliament. The left wing and the Green Party together hold nearly 40 percent of the seats. They are traditionally assumed to be defenders of the interests formulated by social, environmental, or consumer movements. However, given the close link of some socialist/social democratic MEPs with automotive companies through labor unions or direct presence in the work councils, they are often open to the industry's point of view if jobs are at stake.

The European Parliament as a Target for Lobbying

Relevant for lobbying contacts are the twenty different committees in which MEPs draw up reports on legislative proposals by the European Commission. Lobbyists usually become active when the rapporteur of the relevant committee starts preparing the report, while discussions commence within the committee and the parliamentary groups. The rapporteur and the committee chair are often the key persons in forming the opinion of the EP. When important matters are at stake, lobbyists usually address these two MEPs by letter, explaining their position, and subsequently seek a personal meeting with the MEP. The parliamentary committees meet once or twice a month in Brussels and debate publicly. The Parliament can also set up sub-committees and temporary committees to deal with specific issues, and committees of inquiry under its supervisory remit. The parliamentary committee votes on the report and, possibly, amends it. When the text has been revised and adopted by the plenary, the Parliament adopts its position.

Given the importance of the committees in the decision-making process and the key role assigned to the committee chair and the rapporteur, it may be useful to give a detailed picture of those committees that deal with issues related to automotive industry:

The power of the Environment, Public Health, and Food Safety (ENVI) committee rose through the extended responsibilities in the Union on environmental matters and through greater sensitivity to electoral demands for environmental and consumer protection, as well as food safety and public health matters. In general, environmental protection measures are (e.g. air, soil and water pollution, recycling, noise levels, climate change) relevant for the automotive industry.

The Industry, Research and Energy (ITRE) committee deals with industrial policy and the application of new technology. Relevant for the automotive sector are the decisions about the funding and aims of the European Research Area. The last debates, for example, on the establishment of so-called Technology Platforms (TP) provided possibilities for setting directions for research policy in ERTRAC (European Road Transport Research Advisory Council) and, in the second step, applying for research funding.

The Committee on the Internal Market and Consumer Protection (IMCO) coordinates legislation in the sphere of the internal market and customs union at the community level, in which the free movement of goods, including the harmonization of technical standards, is of specific importance to the automotive sector. Additionally, the committee deals with measures aimed at the identification and removal of potential obstacles to the functioning of the internal market and the promotion and protection of the economic interests of consumers, except for public health and food safety issues.

The Committee on Transport and Tourism (TRAN) is responsible for matters relating to the development of a common road policy, among other things. Particularly, it deals with common rules applicable to transport within the European Union and the establishment and development of trans-European networks in the area of transport infrastructure and transport safety.

The Committee on International Trade (INTA) is responsible for matters relating to the establishment

and implementation of the EU's common commercial policy and its external economic relations, in particular (1) trade relations with third countries and regional organizations and (2) relations with the WTO, including its parliamentary dimension. The committee liaises with the relevant interparliamentary and ad hoc delegations for the economic and trade aspects of relations with third countries.

Looking into the committee structure enables lobbyists to focus their efforts on a certain group of MEPs within the relevant committees before the legislative text goes to the Plenary. A limited number of MEPs can then be addressed more efficiently by corresponding with them in their mother tongue, and by taking into account their dominant interests. For example, are they more open to the industry or the environment side of the argument? Is one of the key players in the industry from the same country or region and able to gain privileged access to the influential MEPs? MEPs from member states or sub-national regions in which the relevance of the automotive industry for employment and the Gross National Product (GNP) or Gross Regional Product is important are most likely to be interested in an exchange with automotive lobbyists and to take their interests into the debates in the committees and the plenary.

The European Union Decision-making Process

Two thirds of European laws are adopted jointly by the European Parliament and the Council. This co-decision procedure also applies to policy areas such as transport, environment, and consumer protection. The Commission launches a proposal to the Council and the European Parliament. The European Parliament discusses the proposal in the specific expert committees and votes in the Plenary about the proposal and its amendments. Specific Council working groups will discuss the Commission proposal and the Parliament's amendments. The Council from that point has two options:

1. It adopts all amendments made by the European Parliament by a qualified majority vote. The new proposal becomes European law; or

2. It adopts the proposal, but returns a so-called “common position” to the Parliament by qualified majority voting.

The Parliament has to react within three months and has four options:

1. The Parliament has no opinion. The proposal with amendments by the Parliament and the common position by the Council will be adopted;
2. The Parliament adopts the common position. The proposal will be adopted;
3. The Parliament rejects the common position. The proposal will not be adopted; or
4. The Parliament amends the common position.

The fourth option can result in another reaction by the Council. It can either adopt all amendments formulated by the European Parliament within three months. Alternatively, the Council can choose not to adopt all amendments by the European Parliament. The second case leads to a so-called Conciliation Committee, made up of representatives from all twenty-five member states and twenty-five members of the Parliament. This committee must find a solution for a final text within six weeks. If the matter can be settled the directive will become European law. Should the Conciliation Committee fail to agree, the measure fails.

The detailed description and analysis of the role of the European institutions within the political decision-making process have shown two major facts regarding the promotion of interests. Firstly, a successful lobbyist must have detailed knowledge of the policymaking process. Lobbyists have to select their addresses according to the specific stages of the process. Close contacts based on trust and a high quality of information exchange enable lobbyists to get easier access to decision-makers when the policy cycle makes them the prime target of lobbying activities. Table 1 summarizes the different stages of the political decision-making process and names the most relevant actor(s) to these different stages.

While the influence of the European Commission and the Parliament increased with every Treaty revision,

the Council still has a key role in the decision-making process. Hence, interest groups still consider national governments important addressees when promoting their interests in the EU policymaking process. Cross-industrial associations recognize the growing relevance of European institutions, while seeing a moderate decrease in the importance of national governments, national parliaments, and the regional level.

The Europeanization of the Regulation of Special Interest Activities

Two developments have increased the presence of business interests in Brussels in the last decade. Firstly, business has shifted much of its lobbying activities to the EU level because of the increasing regulatory powers of the EU system. Secondly, and in a parallel development, EU institutions actively solicit input from interests groups, a phenomenon known in particular for civic interest groups (such as environment, consumer protection, etc.) fostered explicitly by Commission money. However, the Commission also seeks input from the business sector, the most famous example being the European Round Table of Industrialists (ERT),¹⁴ which played an instrumental part in the preparation of the Single European Act of 1986, the Single Market Programme of 1992, and the Association for the Monetary Union of Europe, which contributed decisively actively to the EU and member states' capacities to conceive and manage the transition to the single European currency.¹⁵

With the increase of lobbying activities on the EU level, the need to regulate special interest activities has grown. Lobbying can be open to abuse as in any member state. One recurrent phenomenon is the abuse of privileged access to obtain information dishonestly, another is bribing officials. For the time being, the U.S. political system is stricter than the EU in terms of prescribing transparency requirements to avoid undue influence on policymaking and policy-makers. For instance, the Lobbying Disclosure Act in the United States obliges PR firms and lobby groups to list their clients, the issues they deal with, and the money they receive to perform these tasks. In the EU, the Commission sets the minimum standards for the

consultation of interested parties in December 2002.¹⁶ In addition, the Commission recommends lobbying groups, consulting companies, and interest representatives to sign a voluntary code of conduct developed by the Society of European Affairs Professionals and Public Affairs Practitioners.

The overview of the EU institutions and decision-making mechanisms suggests that the EU is not comparable to the political arena that organized interests encounter in nation states, including the United States. The EU system, based on twenty-five nation states that remain decisive in decision-making through their representation in the Council, is far more complex than a single nation state system. Furthermore, while the institutional setting and system of competence assignments is usually stable in a modern democratic nation state, the EU setting is in constant flux, as decision-rules and mechanisms have been revised on various occasions as a result of processes of deepening and widening the EU. While the last major revision dates back to the Nice Treaty of 2001, further reforms of decision-making have been negotiated (though not ratified) in the EU Constitutional Treaty. Despite the discrepancy between the EU and United States in terms of transparency, more regulatory efforts are likely to follow in the EU, given the growing presence and activity of interest groups in Brussels and the fact that public skepticism towards lobbying activities is more important in Europe, where it is not automatically seen as a legitimate part of the political process and culture.

Table 1: Potential for Lobbying Intervention					
Stage	Potential addressees	Relevance of the actor	Main activity	Needs on the institutional side	Relevance of the stage
Initiative	Commission	+++	Evaluation of the political problem	Description of the problem and argumen- tation for a regulatory solu- tion	+++
	Council	++			
	European Parliament (EP)	+			
Preparation	Commission: Directorates	+++	Collection of information Evaluation of different options	Basic and detailed infor- mation about the technical, economic, and political impact of the potential regulation implementation	+++
	Commission: Consulting Committees and Expert Committees	++			
	Commission: Cabinets	+			
	Commissioner	+			
	EP: Rapporteur / Secretary Committees	+			
	EP: (Factions, Committees)	+			
	Commission: Directorates	++			
Decision-making	Council: Working groups	+	Technical review	Review of the proposal and political finding of a consensus (incl. package deals); political aspects outweigh the technical ones	
	COREPER	+++	Finding a polit- ical consensus		
	Ministers	+			
	EP: Rapporteur / Secretary Committees	++	Political review		
	EP: Plenum / Committees	+	Finding a polit- ical consensus		
	Commission	++	Looking for a compromise		
	COREPER	+++	Finding a polit- ical consensus		
	Ministers	+			
Implementation	Commission	+	Detailed elabo- ration	Detailed elabo- ration regarding national legis- lation; need for technical and local expertise	+
	Comitology	++	Implementation		
	Member States	+++			
+++; strong; ++; medium; +; weak					
Source: own illustration based on Buholzer (1998)					



04

CHAPTER FOUR

PROMOTING INTERESTS THROUGH DIFFERENT CHANNELS: ASSOCIATIONS AND INDIVIDUAL COMPANIES

As in the United States, the private sector uses various channels to access EU policymakers and to influence policy decisions. Larger companies have in-house-lobbyists. Independent of their size, most companies are members of associations representing e.g. a certain sector's interest. Some countries also employ external professional lobbyists acting on their behalf. Nevertheless, an EU-U.S. comparison shows that differences in the structure of institutional actors remain. The structure of the lobbying actors in the EU reflects to a large extent the multi-level character of the EU decision-making system, especially insofar as business associations are concerned. The fact that there is an “extra” level of interest aggregation adds complexity.

In the EU, there are two types of associations. Some gather together national associations with no direct membership for companies at the EU level. In these associations, corporate interests are first aggregated on a national level, and then are confronted at the European level in negotiations within the association. Other European associations, like the ACEA (Association of European Car Manufacturers) have individual companies as members that define the common interest they wish to defend in direct interaction, without a filtering by national associations. In general, while national associations voice opinions about European issues, European associations rarely formulate positions on national legislation and only focus on the EU decision-making process.

European Associations

Major European associations and their members are listed in Table 2. Most important on the European

level is ACEA, which counts both American and European car manufacturers as members. Here, the “Europeanness” of the Associations is defined by target (EU regulation) not by membership structure. The Alliance of Automobile Manufacturers (AAM), acting more globally than ACEA, is an association containing the major world car manufacturers. The following overview shows that the same companies team up in different associations that serve different strategic goals.

Germany as an Example of National Associations

The associations acting on the EU-level are complemented by national organizations that have very different structures, degrees of representation, and influence in individual EU countries. Germany is a country with a particularly high degree of organizational participation and representation. This can be

Table 2: Major European Automotive Interest Groups

Association	Members	Remarks
Alliance of Automobile Manufacturers (AAM)	BMW Group DaimlerChrysler Ford Motor Company General Motors Mazda Mitsubishi Motors Porsche Toyota Volkswagen	Acting in the European, Asian, and U.S. political arenas. Common position papers or claims.
Association des Constructeurs Européens d'Automobiles (ACEA)	PSA Peugeot Citroën MAN Group Volkswagen AG Volvo Renault / Nissan Fiat Ford BMW AG Scania DAF General Motors Porsche DaimlerChrysler	Acting mainly on the European level.
Association des Constructeurs Européens de Motocycles (ACEM)	Aprilia S.p.A. BMW AG - Motorcycle division Derbi Nacional Motor s.a. Ducati Motor Holding S.p.A. Honda Europe Motorcycle s.r.l. KAWASAKI MOTORS EUROPE n.v. KTM - SportMotorcycle AG Peugeot Motorcycles Piaggio & C. S.p.A. Suzuki Motor Corporation Triumph Motorcycles Ltd. Yamaha Motor Europe n.v.	European Motorcycle Manufacturers, Acting mainly on the European level.
European Association of Automotive Suppliers (CLEPA)	It represents 68 of the world's most prominent suppliers for car parts, systems and modules and 22 National trade associations and European sectoral associations representing more than 3,000 companies, employing more than three million people, covering all products and services within the automotive supply chain.	

Association for Emissions Control by Catalyst (AECC)	Argillon GmbH, Germany Corning GmbH, Germany Delphi Automotive Systems SA, Luxembourg Emitec Gesellschaft für Emissionstechnologie mbH, Germany Engelhard Technologies GmbH, Germany Ibiden Deutschland GmbH, Germany Johnson Matthey PLC, UK NGK Europe GmbH, Germany Rhodia Electronics and Catalysis SAS, France Umicore AG&Co. KG, Germany	
European Caravan Federation (ECF)	It consists of thirteen caravanning federations and numerous national members of the caravanning industry within the EU member states. These members are involved in the production, the sales and the use of touring caravans, motor caravans and mobile homes (known as caravan holiday-homes in the UK) and the supply of specialist parts and services to the industry.	European umbrella organization representing the national organizations of the European Caravanning Industry. Only active on the European level.
European Council for Automotive R&D (EUCAR)	DaimlerChrysler Ford Porsche Renault Volvo PSA Peugeot Citroën BMW AG Opel AG Fiat Volkswagen	Following on from the scientific cooperation carried out by the (JRC), EUCAR fosters strategic cooperation in research & technological development (R&TD) activities. Only active on the European level.

explained by the high relevance of the German automotive industry in terms of market share and employment not only in Germany, but also in Europe and the rest of the world. Furthermore, it is often argued that the representation of German industrial interests through the German government or the representations of the regions (*Landesvertretungen*) is less aggressive than is the case for other countries, for instance France. The major German automotive interest association is the German Association of the Automotive Industry (VDA). It consists partly of automobile manufacturers and their development partners, the suppliers, and partly of the manufacturers of trailers, body superstructures, and containers. The

fact that automobile manufacturers and suppliers are members of a joint association is uncommon at the international level: in many other countries, the different companies belong to separate associations. As shown above, German companies are also members of the different European associations. Additionally, German car producers have individual representative offices on the national and European levels.

Promoting Individual Interests

While automotive companies use European and national associations to promote common interests,

they also promote individual interests through their in-house-lobbyists, mostly directly present in Brussels, or engage lobbying consultancies. Hull emphasizes that public relations firms on the whole are not well regarded because of their propensity toward selling well-prepared stories for a particular meeting.¹⁷ Professional lobbying firms can offer a composite lobbying service based on accurate, comprehensive, and up-to-date information about issues of concern to a client. Former diplomats tend to be unconvincing and recently departed former Community officials are treated with some suspicion. In general, it can be said that lobbyists who are not part of a company or a business association are perceived as unable to offer the technical expert knowledge that Commission officials would be interested in. Thus, industrial lobbying is more likely to be successful if associations or individual companies directly engage and offer first-hand information in exchange for influence.

Combining Different Channels of Interest Promotion

Associative lobbying and the activities of in-house-lobbyists complement each other well. By using different and parallel channels, companies paradoxically seem to increase the efficiency of their lobbying activities. National associations not only provide more concrete information on national legislation, e.g. the transposition of EU legislation, but also provide relevant contact points to influence national positions taken in the COREPER and the Council. Membership in European associations, on the contrary, increases the chances to be informed early about EU developments, such as e.g. legislative initiatives, and to influence the content of EU regulation. The Commission is more likely to pay attention to input from European associations as it assumes that a corporate consensus presented by a European association is of higher relevance than the input of individual companies or national associations. Associations with global membership offer EU-based companies the chance to gain insider knowledge about regulation in other relevant markets. Today, the structure of the associative membership shows that major car manufacturers act transnationally, not only in production and sales, but also in the promotion of their interests. The promotion of interests through different channels and on

several levels mirrors the complex decision-making processes in the EU. Empirical research on the formation of interest groups demonstrates a correlation between the deepening of the integration process and the growing number of interest groups on the European level and the foundation of European associations, respectively.¹⁸



CHAPTER FIVE

05

CASE STUDY: EMISSIONS REGULATION

As Chapter 3 has shown, the automotive industry is affected by regulatory activities in various policy fields. This chapter first classifies the wide variety of possible cases by grouping them into supply- and demand-side measures. The subsequent case study on emissions regulation then illustrates the specificities of EU regulative lobbying.

Two Modes of Regulation and their Impact on Lobbying Strategies

A distinction between supply-side and demand-side measures and procedures can be made. Regulations affecting the supply-side have an impact on the various parts of the value chain such as procurement, construction, production, distribution, or services and are likely to influence the cost structure of the automotive industry. The early anticipation of regulations that affect the supply-side are likely to influence the individual company's competitive position in the market. Whether supply- or demand-side oriented regulation is at stake, companies are likely to act collectively through sectoral associations. However, in the case of supply-side regulation, companies are more likely to seek their competitive edge through early anticipation of the measures and similar moves. The following list comprises recent initiatives taken by the European Commission:

- Block exemption: regulating the distribution of cars and vehicles;
- Industrial design protection and design patents;
- Registration, evaluation, authorization, and restriction of chemicals (REACH);
- End-of-Life vehicle directive;
- CO₂ voluntary commitment;
- Mobile air conditioning (MAC): work on possible options to reduce emissions of fluorinated greenhouse gases from air conditioning systems fitted to or designed for vehicles;

- EURO 5: setting new limits for particle emissions and other gaseous pollutants for light duty vehicles for the medium terms;
- Pedestrian protection directive: a measure to reduce injuries to pedestrians and other vulnerable road users who are hit by frontal surface of vehicles.¹⁹

Demand-side oriented regulation affects consumer behavior and the use of motor vehicles. These interventions usually impact business-to-business as well as business-to-consumer relations. Recent policy measures the EU Commission has envisaged are:

- Taxation: harmonization of fuel taxes and restrictions which currently differ widely across the EU by fuel category (petrol versus diesel), customer segment (industrial versus private use) and purpose (heating etc.);
- Fostering bio-fuels: a new directive will allow tax breaks for hydrogen and bio fuels;
- Harmonization of rules and penalties, i.e. disregarding road signs, laws on drunk-driving or speed limits;
- Setting common limits on the working hours of truck drivers;
- Harmonization of weekend bans for trucks.²⁰

While both supply- and demand-side oriented regulation affect the business perspectives of the automobile industry, the effect of supply-side oriented measures is likely to be more direct and more easily

discernable. Intensive lobbying activities are to be expected. With regard to emission regulations, one concrete example is discussed in detail here. Robin Pedler was the first to investigate the case of emission regulations in detail. He found a limited scope for interest group influence in the regulatory process. Our analysis of the literature and empirical investigation however, hints at the fact that, although Pedler sees a limited scope for interest group influence in the regulatory process, our analysis of the literature and the empirical material hints at the fact that intensive industrial lobbying was going on from the start and probably counter-balanced the influence of environmental interest groups. The following takes into account Pedler's analysis but completes it by further our own interviews and research.²¹ The case study illustrates the complete process starting with formulation of a Commission draft based on its competences given by the European Treaties and the political guidelines formulated by the European governments. Furthermore, given the fact that it falls under the co-decision procedure, this case involves all major EU institutions, the Commission, the Council, and the European Parliament. Commission officials and representatives of interest groups have confirmed that this case illustrates the work and time process of lobbying work on the European level very well.

Emissions Regulation: How Lobbying Worked

The European Union began trying to limit exhaust emissions in 1970. Controls became progressively tighter and were extended to all kinds of vehicles. The latest Exhaust Emissions Directive was launched in 1996. It was adopted under the "First Pillar" of the European Union Treaty.²² The Commission had the right to initiate and draft a formal proposal to the European Parliament and the Council. Environmental policy is subject to co-decision and thus allows the European Parliament to exercise its power. Both Directives were decided by conciliation in 1998.

The process towards the new directives started in 1994, as soon as the previous Exhaust Emissions Directive had been adopted. This may be viewed as a limited success for a powerful lobby, as the institutions faced criticism from the automotive motor industry. The main issue of the automotive industry

was that the previous legislation had adopted many of the details of the U.S. legislation, which had been developed on different car and road conditions and was therefore not adequate for the European Union. A second issue was that future legislation should focus not only on output (exhaust emissions), but also on input (fuels), and that there would be much potential environmental improvement from cleaning up petrol and diesel inputs. The latter brought the oil refining industry directly into play.

From the European Commission's side, three Directorate-Generals were involved: "Industry," "International Markets (Section Transport)," and "Environment." Parallel to the technical research, chaired by DG Environment, there was a cost-effectiveness study commissioned by DG Industry. Meanwhile, the DG Environment launched its own parallel studies on ambient air quality. The technical research program (The European Programme on Emissions, Fuels and Engine Technology (EPEFE)) was a tripartite operation, co-funded by the EU and bringing together the Commission and the two major industry concerns. Both powerful industries, car manufacturers represented by the European Vehicle Manufacturers' Federation (ACEA) and the oil industry, were involved. They assisted actively with the research, applying their own resources and technical back-up. While European and American car companies are involved in ACEA, the Japanese Auto Manufacturers Association (JAMA) and Toyota itself had to press hard with the Commission to be included in the consultation process, and were forced to continue separate lobbying.²³

Although these were particularly controversial directives, the schedule from drafting to adoption was typical: two years of hard work and research to draft the Commission proposals (1994-96) and then another two years of strong argument and amendments for it to go through the full adoption process (1996-98). The outcome of the technical research program EPEFE fed into the Commission's proposal which suggested a reduction of up to 40 percent in the level of emissions. This level was clearly below the reduction demanded by the European Parliament in the debate on the 1994 Directive. Nevertheless, the automotive industry claimed that an "unfair burden" was created by this directive. So despite being

consulted intensively in the drafting process, the industry still chose a confrontational take on the draft. It was not able to shift the burden through subsequent lobbying—but likewise, the burden did not increase despite the implication of the European Parliament in the co-decision procedure.

However, the Parliament was indeed able to use the co-decision procedure to reintroduce some of its demands. After the release of the Commission's formal proposals in July 1996, they went through to the European Parliament and the Council of Ministers for consideration, amendment, and agreement. The lead committee in the European Parliament was "Environment," then chaired by Ken Collins (Scottish Socialist). Another important role was played by the rapporteur on the Exhaust Emissions Directive, whose job was to coordinate his colleagues' views and draft their joint opinion (Bernd Lange, Socialist; Noël Mamère, Radicals; Heidi Hautala, Greens). Parliamentary committees were subject to vigorous and sustained lobbying, both through person-to-person contact and written submissions.

On the Fuels Directive, the Committee was more aggressive, substantially reducing the Commission's proposed limits on all the chemicals concerned and inserting lower but mandatory levels for 2005. On exhaust emissions, the Environment Committee of the European Parliament decided to go for "fewer but stronger" amendments.

As a result, however, the Parliament merely demanded a minor change with respect to diesel vehicles and their maximum emission levels. In the end, all other permitted emissions were identical to the values of the Commission's proposal. The Parliament, however, reached some important additional conclusions:

- The car industry has to take into account to produce "more environmentally friendly vehicles";
- The car industry agrees to use advanced computer technology to improve emission elimination performance in every car;
- Member states may encourage "cleaner" vehicles with tax incentives;

- The Commission gets the mandate to continue the negotiations and research to set further standards beyond the standards is set for the year 2005.

"Diffuse interest" non-governmental organizations formed a campaign alliance "working for environmental sustainability." These consisted of: Bird Life International, Climate Network Europe, European Environment Bureau (EEB), Friends of the Earth, Greenpeace, Transport and Environment (T&E), and World Wide Fund (WWF). These NGOs were organized into seven large working groups to look at different aspects of the policy.

The European Commission tried to re-establish its role as the proponent of "Clean Air for Europe." Part of this strategy is the goal "Auto Oil II," for which the European Commission worked together with the above-mentioned alliance. Meanwhile it kept and is still keeping large industries close to the process and profiting from their technical expertise. Another channel of influence, apart from the Commission in the drafting phase, open to automotive lobbyists was the Council via national representatives. The industry associations and their large (company) members could play the "national" card to individual member-state governments. This was particularly the case in Germany, France, Italy, Spain, and Belgium for the car industry and in the UK, the Netherlands, and France for the oil industry.²⁴

Assessment

Even though the representatives of the automotive industry complained about the Commission's draft, the industry was able to influence it considerably. Their early participation in comparison to environmental protection associations enabled a better strategic position for promoting technical expertise and interests that ACEA in particular fed into the process. Also, the simple fact that the Commission put the issue of emissions regulation on the agenda as quickly as it did, seems to be a reaction to corporate pressure. The European Parliament was able to bring in additional points. With regard to the hard facts like the prescribed emission values, however, it only demanded a change of one minor value. Nevertheless, it did satisfy environmental interests by

introducing setting new milestones for future regulation—the Directive calls on the industry “to produce ‘more environmentally friendly vehicles.’”

There are two conclusions from the case study, which could be tested on other cases: Firstly, major changes to the Commission’s draft are unlikely once it has been handed over to the Council and the European Parliament. In the case study, the main impact on the regulation was achieved by working together with the Commission, which, in turn, was already in close contact with national administrations seeking to present a legislative proposal which could become consensual. Secondly, the Parliament has a growing influence and addresses environmental issues. Historically, the environmental protection associations have a better relationship and access to the Parliament than to the Commission. In the past, industry associations almost neglected the Parliament. Given the fact that MEPs do not have back-office staff like members of Congress in the United States, technical expertise is needed.



06

CHAPTER SIX

CONCLUSION

This study has shown the ways in which corporate lobbying, and more specifically, automotive interest representation, has adapted to the new decision-making system created by the deepening integration of the European Union. The automotive sector is a particularly interesting example. It is not only the single most important industry in terms of output and employment in the EU, but it is also a sector that is subject to increasing competitive pressure, not only among the industrialized countries, but also from emerging markets.

While consumers still tend to buy “national” brands, the industry, through recent consolidations involving cross-border mergers and acquisitions, can be seen as a globalized one, featuring some corporations that are firmly rooted in more than one continent (e.g. DaimlerChrysler or Renault-Nissan). If not through mergers or acquisitions, most automotive companies are internationalized by running production sites in countries with a low cost structure. These increasingly internationalized companies are facing national or regional political entities whose regulatory activities in policy fields as diverse as environmental policy, tax policy, consumer protection, or taxation directly affect the companies’ competitiveness and the behavior of consumers. In order to influence any relevant regulation, automotive companies invest considerable effort in lobbying activities. Through these activities, they have adapted to the continuously changing environment of the EU multi-level system. With the growing regulatory power of the EU and the increasing involvement of the EU institutions such as the European Parliament in the legislative process, corporate lobbyists have had to become increasingly active in Brussels and the capitals of the EU member states.

To succeed in their mission in the complex world of EU policymaking, lobbyists need an in-depth knowledge of the processes and people involved. Close personal contacts and a good personal reputation are essential. A large part of lobbying works through an exchange of expert knowledge between corporate

representatives with detailed insider knowledge, on the one hand, and civil servants or MEPs, who depend on external input to deliver a high-quality output, on the other. The chance of expert information being fed into the policy formulation process is greater if the corporate lobbyist is personally known as a trustworthy person and information provided in the past has been reliable. The timing of lobbying efforts is also crucial. Lobbyists must approach the relevant people at the precise moment, e.g. when the Commission is in the key phase of refining its proposal, or an EP committee rapporteur is drafting the report. The EP, which has been underestimated by business interests for some time, now enjoys strong attention among lobbyists, especially given its perceived bias in favor of environmental issues over industrial competitiveness.

Lobbyists will be most successful if they adapt their strategies as much as possible to their institutional targets. The EU Commission, because of its interest in strengthening its own position in policymaking, has a major interest in bringing proposals to the political decision-making process that contain the “best” compromise that could be accepted by all political players. Thus, the Commission is not only heavily dependent on the expertise brought in from outside the institutions, it also very carefully selects trustworthy sources of information. In the first policy phase, the Commission is the primary target of any lobbyist or interest group. Early thinking on any

proposal usually takes place in the office of the Commission official who will have the responsibility for drafting legislation. Constant contact with Commission officials is crucial for lobbyists in order to learn as early as possible about new proposals. As the example of emissions regulation has shown, the greatest impact can be made during the period of drafting the proposal. In general, the final proposal adopted by the Council contains at least 80 percent of the original Commission draft. The official who is drafting the legislation is usually in need of ideas and information. A lobbyist who is recognized as being trustworthy and a provider of reliable information can have an important impact at this stage, especially when the know-how is presented as objectively as possible and underlined with (research) data based on sound and accurate information. Handing over a well-grounded position paper to the civil servant is advisable.

Commission officials tend to appreciate representative lobbyist or interest groups that can speak on behalf of a cross-section of interests throughout the industrial sector rather than in the interest of an individual company. However, if the interest group has a wide presentation role and can only represent the lowest common denominator, input from individual companies with specific interests can be more useful. While working-level officials should probably be the priority targets because of their willingness to talk, the higher the officials' position in the Commission hierarchy, the more open to discussion the individual is likely to be. Middle-ranking officials are more likely to view talking to lobbyists as a greater risk.²⁵ Successful lobbying results in a strategy consistent with the strategy of the DG while emphasizing the European value added. Furthermore, rivalry between DGs, stemming from different approaches and political agendas (strengthening the EU's economic power vs. environmental protection), on the one hand and, from individual power seeking strategies of Commissioners or Directors-General on the other hand, can provide openings to influence the decision-making processes while issues that overlap competences are on the political agenda.

There are also possibilities for influencing the decision-making process at the cabinet level within the

Commission. This, however, is not a straightforward task. The Commissioners and their staff may remember that an interest group has already had its say via the usual consultation process at the service level. This could result in a loss of reliability and could be an obstacle for a group's influence over the next relevant issue. The national card could be played on the cabinet level by persuading other cabinets to block proposals or introduce last-minute changes. This strategy, however, could reduce the confidence lobbyists may enjoy among officials on the working level.

Once the Commission itself has agreed upon a proposal and sent it to the Parliament and Council, the scope for changing the proposal switches to the European Parliament through individual members or even whole political groups. However, the extent of possible influence exists only at the margin, involving about 20 percent of the total proposal. This minor influence can be explained by the strategic agenda setting behavior of the Commission. The Commission tries to formulate the best compromise in the first draft by submitting proposals that experts helped to draft. During this process, it considers the different positions of national governments to ensure that the proposal will be adopted.

Generally speaking, there are two ways to go about lobbying in the European Parliament. The first involves written submissions. These should be very concise and written in the mother tongue of the corresponding MEP. The members of the European Parliament have fewer back-office staff than e.g. representatives in the U.S. Congress and have very busy schedules, so written submissions play a more important role than they do with Commission officials. Ideally, written submissions should be addressed to the members of the parliamentary committees and the secretariats of political groups that advise the MEPs. For person-to-person contacts, the relationships will be less enduring than with Commission officials, as rapporteurs change.

For the Council, there are opportunities to talk to national officials in the Council working groups (COREPER) involved in the discussion of proposals. The scope for influencing them, however, is limited

and following the recent enlargement, their voice is often just one in twenty-five, although the asymmetrical power of the member states through their voting (and economic) power should also be borne in mind. A likely trend is that more and more issues will be handled by majority vote. Thus, the pressure for a compromise (minimal output) is immanent. Despite these developments and the growing influence of the Commission and Parliament, the Council is still an important player within the EU decision-making process. Targeting COREPER as well as national administrations is strategically useful for promoting interests. The success of companies depends on how well they can play the "national card" vis-à-vis national administrations. Automobiles and the automotive industry are still a national issue for consumers (i.e. voters) and, hence, for politicians. Firstly, automobiles still reflect a national symbol despite of more transnational company organization and car production and, secondly, the automotive industry is of great importance to economic development and national employment structures. European car producers are thus able to play the national card and are in a better position to influence the Council than American or Asian producers.



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1 European Commission (2005b): Key Indicators on the competitiveness of the EU's automotive Industry, Memo 05/7, Brussels.

2 See Klemens Fischer, *Lobbying und Kommunikation in der Europäischen Union*, (Berlin Verlag A. Spitz, 1997), and Pieter Bouwen, "Theoretical and Empirical Study of Corporate Lobbying in the European Parliament," in *European Integration online Papers* (EIoP), Vol. 7, No. 11, 2003.

3 See Susanne Lohmann, "Information, Access, and Contributions: A Signaling Model of Lobbying," in *Public Choice*, Vol. 85, 267-284; David Austin-Smith, "Information and Influence: Lobbying for Agendas and Votes," in *American Political Science Review*, Vol. 37, 799-833; and Stefan Collignon and Daniela Schwarzer, *The Power of Ideas. Private Sector Involvement in the Euro* (London: Routledge, 2003).

4 European Commission, *European Competitiveness Report 2004*, 155.

5 *ibid.*

6 European Commission, http://europa.eu.int/comm/enterprise/automotive/index_en.htm

7 European Parliament 2003: 2.

8 COM(2001)428 fin, 12 October 2001 and COM(2002)704 fin, 11 December 2002.

9 European Parliament 2003: 38f.

10 Decisions in the Council are taken by vote. The larger a country's population, the more votes it has, but the numbers are weighted in favor of the less populous countries: Germany, France, Italy, the United Kingdom: each 29; Spain, Poland: each 27; The Netherlands: 13; Belgium, Czech Republic, Greece, Hungary, Portugal: each 12; Austria, Sweden: each 10; Denmark, Ireland, Lithuania, Slovakia, Finland: each 7; Cyprus, Estonia, Latvia, Luxembourg, Slovenia: 4; Malta: 3 (total: 321). On most issues, however, the Council takes decisions by "qualified majority voting" (QMV). A qualified majority is reached, when a majority of member states (in some cases a two-thirds majority) approve *and* when a minimum of 232 votes is cast in favor—which is 72.3 percent of the total. In addition, a member state may ask for confirmation that the votes in favor represent at least 62 percent of the total population of the Union. If this is found not to be the case, the decision will not be adopted.

11 Quoted in European Parliament 2003: 42.

12 *Der Tagesspiegel*, "Bonner Vollbremsung nach Piëchs Brandbrief," 29 May 1999.

13 European Parliament 2003: 36.

14 European Parliament 2003.

15 Collignon and Schwarzer, compare, in particular, Chapters 3 and 4.

16 COM(2001)428 fin, 12 October 2001 and COM (2002)704 fin à COM (2002)704 final, 11 December 2002.

17 Robert Hull, "Lobbying Brussels: A View from Within," in Joachim Jens Hesse and Vincent Wright eds., *Lobbying in the European Community*, (Oxford: Oxford University Press, 1993).

18 Rainer Eising and Beate Kohler-Koch, *Inflation und Zersäuerung: Trends der Interessenvermittlung in der Europäischen Gemeinschaft*, (Mannheim: Publisher, 1995); Rainer Eising and Beate Kohler-Koch, (eds.), *The Transformation of Governance in the European Union* (London/New York: Routledge, 1999); Beate Kohler-Koch, "Gestaltungsmacht organisierter Interessen," in Markus Jachtenfuchs, Beate Kohler-Koch, eds., *Europäische Integration*, (Opladen: Leske und Budrich, 1996) 193-222.

19 European Commission, *European Competitiveness Report 2004*, (Brussels) 209.

20 European Commission, *European Competitiveness Report 2004*, (Brussels) 210.

21 Robin Pedler, "Clean Air and Car Emissions: What Industries and Issue Groups Can and Can't Achieve," in Robin Pedler, (ed.), *European Union Lobbying – Changes in the Arena*, (New York: Palgrave, 2002).

22 The Commission launched the Proposal COM/1994/559/Final in 1994. Parliament and Council Directive 96/1/EC amending Directive 88/77/EEC on the approximation of the laws of the member states relating to the measures to be taken against the emission of gaseous and particulate pollutants from diesel engines for use in vehicles.

23 Pedler, 111.

24 Pedler, 114.

25 Hull, 87.

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