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Representing Interests in the European Community

by

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Abstract

This paper examines the forecasts of early models of European integration that European federations would play a central role in decision-making at the supranational level. It was expected that national interest groups and companies would prefer to lobby EC institutions via these 'Euro-groups' and that this process would be stimulated by EC officials. Drawing on evidence from several industrial sectors, this paper reflects upon these expectations in the light of recent evidence that companies prefer to adopt multiple strategies when lobbying the EC, and that European federations of national groups are being replaced by new types of Euro-group. The paper suggests that it is increasingly difficult—and perhaps artificial—to draw lines between Euro group lobbying and other forms of lobbying.

The Traditional View of Euro-Groups and Integration

There is an expectation in models of European integration that transnational federations will be the main actors in the policy process. As early as 1958 Ernst B. Haas argued that when nation states joined supra-national bodies the 'institutional and political logic of supra-nationalism' would 'lead to the defensive grouping of commercial interests (at a supra-national level) fearful of no longer being able to lobby effectively at a national level' (Haas, p.323 and p.318). In a famous passage Haas argued:

Political integration is the process whereby political actors in several distinct national settings are persuaded to shift their loyalties, expectations and political activities towards a new centre, whose institutions possess or demand jurisdiction over pre-existing national states. The end result of a process of political integration is a new political community, superimposed over pre-existing ones (Haas, 1958, p.16).

Through the process of 'transnationalism' neofunctionalists expected national interest groups to forge alliances with their sister groups in other EC states. European federations of national interest groups would be formed and become the key integrative force along with the European Commission, 'which was believed to be in a unique position to manipulate the facts of domestic pluralism and international interdependence so as to push forward the process of European integration even against the resistance of national governments' (George, 1991, p.21).

In practice, Euro-groups, have tended to be rather ineffective bodies unable in many cases to engage in constructive policy dialogue with the Commission. The traditional structure of the Euro-group, as a federation of national associations, has posed a number of problems. First, national associations have been reluctant to provide adequate resources to fund EC level representation. Secondly, the process of aggregating the interests of national groups into meaningful policy positions has often proved intractable. For example, Sidjanski (1967, p. 414) noted how the Committee of Professional Agricultural

Organisations in the EC (COPA), failed to agree policies on uniform prices amongst its membership in the 1960s. Thirdly, companies have felt that the process of agreeing policy in national groups, which may then be compromised further in the Euro-group, has led to a serious dilution of their views. Grant encapsulates the position well when he notes that Euro-groups are: 'inadequately resourced in relation to the the range and complexity of tasks they attempt to undertake; they largely react to an agenda set by the Commission; and they often have great difficulty reconciling the divergent interests of national member organisations. In short, they are often rather ineffective, and leading multinationals have become increasingly exasperated with them' (Grant, 1990, p. 6). As a result, individual companies have been willing to lobby the Commission via other channels, not least direct approaches through 'in-house' staff.

It is therefore important from a policy studies standpoint to examine companies both as Euro-group members and as 'own account' actors. This observation connects with Robert Salisbury's important warning about the lack of conceptual precision in the American literature on interest representation. He argued that a distinction between interest groups and the interests of institutions was needed if the complex patterns of interest representation in Washington politics was to be explained (Salisbury, 1984, pp. 67-68). That is to say, the interest group label can be seen as too restrictive. Salisbury was drawing our attention to the fact that the pattern of divergent interest representation discovered in policy studies is often not adequately reflected by an interest group focus. Companies have distinct corporate interests and are '*policy participants*' in their own right. The generic term *policy participant* is used here to describe organisations attempting to affect policy outcomes on their own account.

These points are developed by examining European lobbying in the car industry. This case study is important for two reasons. First, in 1991 the car companies consciously altered the structure of their European representation so as to overcome many of the problems associated with the traditional Euro-group structure. Secondly, the companies have repeatedly relied on independent activity when lobbying in Europe. The argument below is that the traditional view of European lobbying overlooks two increasingly

important features—Euro-groups which are dominated by companies, and direct lobbying by those companies.

The Car-Makers in Brussels

Until 1990 the industry was represented in Brussels via two organisations: The Liaison Committee of the Automobile Industry of the Countries of the European Communities (CLCA) and the Committee of Common Market Automobile Constructors (CCMC). CLCA was the peak association of the EC's seven national trade groups and its creation in 1962 was an early recognition of the emerging policy-making function in the EC. CCMC was a 'club' of European producers established by a number of car-makers following their dissatisfaction with the lack of direct company participation in CLCA. Membership was restricted to those firms whose corporate headquarters were located within the EC because the leading car-makers feared that the American companies based in Europe would lobby the Commission to adopt American technical and environmental regulations. In the autumn of 1990 both groups were disbanded to make way for a new organisation, the Association of European Automobile Constructors (ACEA).

Individual car companies will also be members of other Euro-groups. For example, there are separate Euro-groups for the motor components and vehicle repair sectors. In addition car-makers tend to be active in peak associations of employers' groups and 'Euro-clubs' of companies. General Motors for instance is one of the most active members of the American Chambers of Commerce based in Brussels and acts through this group on general issues such as health and safety, and employee participation policies. Similarly, Daimler-Benz, Fiat and Volvo AB are members of the European Roundtable of Industrialists which lobbies for general policies such as improved intra-community transport links and customs harmonization.

Multiple Strategies

There is now a sufficient volume of empirical studies on EC decision-making to support the view that companies prefer to adopt multiple strategies when lobbying in the EC (See, Mazey and Richardson, 1993 and Greenwood et. al., 1992). Streeck and Schmitter

(1991, p.159) highlighted the range and extent of interests clamoring for attention in Brussels when they noted that: 'Interest associations ... have to compete for attention with national states, subnational regions, large firms, and specialised lobbyists, leaving their constituents with a wide range of choices among different paths of access to the Community's political centre and enabling them to use threats of exit to coerce their representatives into pluralist responsiveness'. Thus there are likely to be several points of access for companies wishing to lobby in the European policy process, and while Commission officials may wish policy to be channelled through Euro-groups, companies rarely rely on the group alone. This point was made by Daimler-Benz when it opened an office in Brussels:

The Brussels corporate representation is a manifestation of the desire of Daimler-Benz advanced technology conglomerate to use all possible channels to foster the dialogue between the economy and politicians, against the background of growing economic integration and the creation of a single market in Europe (Daimler-Benz, 1989, p.27).

But the use of 'all possible channels' can undermine the authority of group positions and may prevent an organization from entering into a higher level of policy-making dialogue with the Commission. This view of the group as an option for a member seeking to represent its corporate interests in the EC is somewhat inconsistent with the view of groups in models of integration. The traditional view assumed that these organisations would become the main conduit for national interests seeking to influence the legislative process at a European level. Commission officials would exploit the plurality of national interests by insisting on dialogue with European federations. Yet companies have found it possible to participate in the policy process using other channels.

The National Route to Brussels

Paterson has noted that the European chemical industry's technological achievements, commercial successes and harmonious labour relations has, in the past, insulated it from national government intervention. The chemical industry has authoritative trade groups

and has enjoyed a great deal of self-regulation (Paterson, 1991, p.307). The contrast with the European car industry is spectacular. The car industry has, in the past, been plagued by crises and a poor industrial relations record. Moreover, because of its pivotal role in the manufacturing sector its under-performance has led to repeated government intervention. The European industry is therefore dominated by national champions which have come to rely heavily on domestic sales. For example, in 1989 62.4 per cent of Fiat's total car sales were in the domestic market, the figures for Renault, Peugeot-Citroen (PSA) and Rover were all over 50 per cent (DG III, 1992). In the light of this industrial structure it is not surprising that issues such as Japanese imports, technical harmonization and state aids have all become matters of 'high politics' for the national governments concerned. In such circumstances the use of national strategies by companies and groups has been commonplace.

The national route to Brussels is encouraged because of the enduring importance of the Council of Ministers (CoM) in the EC decision making process. Integrationists frown upon the nation-state bargaining character of much of EC policy-making. There are three main lobbying routes into the CoM. The first is to lobby the permanent national delegations in Brussels (CoRepEr) who prepare the groundwork for Council meetings; the second is to make use of existing national lobbying channels to brief the minister before a Brussels meeting; the third is to build up a pan-European national strategy by lobbying several national governments on an issue, this option has been used by multinationals such as Ford who have major investments in several EC states. In practice, companies will use all three tactics or some combination of them on most issues. While the Single European Act (SEA) sought to redress this by limiting the powers of veto in the CoM (hence the recent use of pan-European national strategies), the majority threshold needed for a decision remains high and there is little doubt that national channels figure prominently in companies' corporate representation strategies. For example, the Commission recently proposed stringent standards to reduce vehicle noise levels which would come into effect on all new models in 1994. In an internal document General Motors' Brussels office noted of the proposals:

Since it will be up to the Council of Ministers to take the final decision, good opportunities still exist for lobbying at national level to go no further than 75dB A [lesser noise level] because of the considerable technical and financial efforts involved.

Similarly, attempts to harmonize vehicle technical regulations and create one EC wide testing certificate—Whole Vehicle Type Approval (WVTA)—have been obstructed by national resistance. The existence of national type-approvals means that any car imported to an EC country has to satisfy local technical standards and tests. Progress towards eliminating national testing has been blocked by the French government which views national testing as a means of controlling non-EC imports into the French market—particularly Japanese cars. By specifying local conditions the French have in the past been able to frustrate importing companies. Perhaps the most famous case of this is the requirement that cars and commercial vehicles be fitted with yellow head-lamps in France. The Commission has been trying to gain agreement between member states on the harmonization of three outstanding directives on tyres, windscreens and weights since 1990. In an effort to mollify French and Italian opposition the Commission has agreed to allow companies to opt for national or EC type-approvals until 1996, thereafter there will be a single EC type-approval. Such issues may seem relatively minor, but there are numerous similar directives on the Commission's agenda which can have major cost implications for the companies concerned. This underlines another important reason for using national channels, the Commission depends on nation states to implement EC law. In fact, implementation is the achilles heel of the Commission and national groups know that good opportunities exist at this late stage to recoup losses earlier in policy development. As Grant (1993, p.30) reminds us:

an important characteristic of the EC policy process is implementation failure, and that this in part reflects the influence exerted by national-level pressure groups when community directives are translated into domestic legislation.

However the national route to Brussels is by no means infallible as Council decisions are reached through a complex process of bargaining and trade-offs between member states. One study by Turner (1988) discovered that a British minister disappointed national groups when he inadvertently agreed to unacceptable technical proposals during bargaining over emission regulations. He notes that: 'the politicians almost certainly had no idea of what effect the agreed standards would have on the environment. The British minister was not at all sure that the compromise norms, if fully implemented, would allow the UK industry to proceed with the development of their lean-burn engines' (Turner, 1988, p.19). Thus a key decision can hinge on how well the minister has mastered his national brief. Companies also realize that once a Council meeting begins their position is in the hands of a minister who may have competing priorities. Therefore obstructionism in the Council, though an important lobbying option, is not an adequate substitute for influencing the content of a directive during the initial drafting stages in the Commission.

The failure of the early group models of integration to anticipate the resilience of national interests and their ability to inhibit transnational activity is perhaps their major weakness. Haas' vision of a new supreme political community at the supranational level gave the model a strong predictive element and led to a series of persuasive critiques from intergovernmental theorists who argued it down played the role of nation states in the integration process. However, it is often overlooked that Lindberg's 1963 study *The Political Dynamics of European Integration* did in fact recognise that nation states would retain discretion in determining the pace and scope of integration rather than being swept along with it. Lindberg still foresaw groups being the main integrative force but his model did not have the predictive element of earlier group theories. Indeed Linberg's refinements predated much of the criticism of Haas' work by intergovernmental theorists. He usefully quotes Schokking and Anderson who observed:

European integration is developing, and may continue so for a long time, in the direction of different units ... We can only speculate about the outcome, but a forecast of the emergence of a pluralistic structure, hitherto unknown, might not be wholly erroneous. Such a structure might very well permit to a great extent the

participating nations to retain their identity while yet joined in the organisations that transcend nationality (1960, p.388, cited in Lindberg, 1963, p.8).

Independent Activity

Perhaps the most significant development in EC interest representation has been the opening of a Brussels offices by most companies. Nine European car-makers have opened offices there with the main intention of developing personal links to policy development. These facilities range from one man operations to large offices, for example Daimler's Brussels office—one of five 'Corporate Embassies' worldwide—has more than double the staff of the ACEA office. In its first publication, the Daimler-Benz office underlined the need to have resources 'on the ground' in Brussels:

Only those who are well informed about the wide variety of initiatives and proposals and who have a thorough understanding of the decision making mechanisms will be able to defend their legitimate interests effectively. It is for these reasons that Daimler-Benz has decided to 'be present' in Brussels (Daimler Benz, 1989, p.33).

Unfortunately the politics of large firms and their corporate representation strategies have been neglected in studies at a time when most major companies have expanded their public affairs divisions with Brussels offices. These operations are only now beginning to attract academic attention. The Brussels office appears to play a crucial role in the corporate representation strategy of the large company. In a recent study MacMillan has outlined the main functions of the Brussels office as being:

- (1) monitoring social and political issues likely to impact on the interests of the business;
- (2) helping represent the company to key audiences or stakeholders;
- (3) guiding top managers as necessary in their policy-making (MacMillan,

1991, p. 5).

Furthermore, he noted that companies with established Brussels offices felt 'they had some "inside track" advantage, for example, due to the long-term relationship they have with key individuals or by virtue of leverage due to specific expertise or national importance' (MacMillan, 1991, p. 11). Some companies have established good relations with European officials and this is clearly the major function of the company offices in Brussels. Good contacts are essential if companies are to get an early wind of developments affecting their business. This point was underlined by the consultant who headed ICL's 'Europe 1992' campaign designed to keep the company in step with single market issues. He argued:

In the context of the EC institutions of the Council of Ministers, the Commission and the Parliament, lobbying is an essential part of the process ... ICL has deliberately played an active part, lobbying on behalf of its customers, its industry and itself as the proposals for single market and subsequent legislation have been framed. Although much of the legwork of lobbying can be conducted by specialist staff or consultants, a vital role is played by top management who cannot opt out and at the same time expect a wholly successful lobbying campaign (Blanchard, 1992, p.62)

Where debate in the group has gone against large companies they have been willing to go directly to the Commission. However, personal relations with Commission officials can be shattered if the company misinforms the bureaucracy. The Director of one Brussels office emphasized the importance of interpersonal links: 'Making individual company representations can be very dangerous if [they are] not done properly. If you give an official bad information and he uses it, he could get into problems internally. If this happens your reputation is gone and its difficult to re-establish ... they [EC officials] approach you as a company for constructive information' (Interview, 23/7/91).

The need for these 'own-account' operations is underscored by the fact that on some

issues, such as state aids, there will be no group discussion of individual cases—sensitive issues are simply kept off group agendas. Recent examples of direct lobbying have included successful attempts by car-makers investing in Eastern Europe to procure financial assistance from the Commission. In fact, one function of the company office is to monitor national and EC assistance to competitors and if necessary lodge objections with the Commission. Renault recently protested to the Competition Directorate about regional aid given to Volkswagen and Ford for a project in Portugal. These offices are also important in the process of monitoring company opportunities for EC aid applications and indeed, to monitor the aid received by its competitors. Following an internal study in 1989 GM's office concluded, 'GM Europe does not take full advantage of increased funds of available EC aids ... Competitors state aids activities will also be monitored'. Also, for a multi-product company such as Daimler-Benz, there is no group that can adequately cover all its product interests and it has been essential to develop sophisticated in house operations.

In Britain it is commonplace for large firms to establish bilateral relations with Whitehall—for a time in the late 1980s this was encouraged by the Conservative government's dislike of trade groups. Even German companies accustomed to working through authoritative central trade groups domestically, have undertaken independent activity at the European level. This was picked up in a cross-national study of the chemical industry which highlighted: 'The increasing importance of the European Community as an economic and political arena for the industry has been the principal factor encouraging the German firms to develop independent political capabilities for the first time' (Grant, Martinelli, and Paterson, 1990, p.89).

Of course, independent activity presents the EC official with a more complex consultation map and makes the management of pressure more difficult. This perhaps helps to explain the Commission's general preference to consult via Euro-groups. Thus, while the Commission would have preferred the Euro-consciousness predicted in the neofunctional model leading to the establishment of strong authoritative umbrella groups in Brussels, the national strategy and use of bilateral contacts has been resilient.¹

¹This complex picture of corporate political behaviour corresponds with Wilson's American research. Commenting on his survey evidence on the political tactics of

Large firms also hire Brussels based lawyers to represent the company or hire from firms of local political consultants. The last course of action is however viewed with some scepticism by companies, wary of delegating their interests to independents, and by Commission officials who are keen to avoid speaking to 'hired hands'. One official has noted: 'Public relations firms on the whole are not well regarded. They tend to be perceived as glib purveyors of a tale which they have prepared for a particular meeting and unable normally to get involved in any kind of detailed discussion of an issue because they don't understand it fully once discussion strays outside their brief' (Hull, 1991, p.8). Similarly, Gardner has argued that public relations firms 'are still struggling for acceptance in the clubby atmosphere of Brussels' (1991, p.57). However, political consultants are also used in the information gathering process and here they can be more effective. One company said they hired consultants to attend Commission committees and group meetings as observers and were sent a monthly progress report (this even extended to reporting any rumours circulating Brussels). Finally, the Commission will often hire political consultants to research an issue because of its lack of resources and internal expertise. As Harlow has noted: 'A consultant could be employed by the Commission to produce a paper, the basis of which may be information provided by one of clients. Or he may see an opportunity to insert the client as the Commission contractor. Consultants increasingly work regularly for the Commission on a part-time basis and for an interest group [or company] on a retainer basis' (Harlow, 1992, p.339-340). Thus, hired consultants can act as intermediaries connecting agency and interest at the early stages of policy development. This is a tactic which has helped the Japanese car producers build up a good reputation in Brussels for providing accurate technical information (Morrison, 1993).

Why Do Companies Need Euro-groups?

large firms he argued: 'The most striking feature of the answers ... is the importance for communicating their views corporations attach to forms of political action used by individual companies. The two activities most commonly emphasized by our respondents are enlisting the help of legislators from areas where the corporations operate [akin to a national strategy] and having a Washington office' (Wilson, 1989, p.283).

Although groups can be outflanked by their members in Brussels they have nevertheless assumed an important role in the policy process at the European level. An authoritative and representative business group can expect to have its voice heard in the Commission.² Of the 525 Euro-groups recently identified by Mazey and Richardson (1993), almost 50 per cent were industrial and commercial employer interests. As the Commission's political remit has gradually been extended, the management of policy has become more complex and administratively burdensome. Thus the Commission increasingly prefers to break larger issues down into technical matters which can be hammered out in a myriad of ad-hoc consultation groups. In the car sector several such group's on fuel consumption and CO2 emissions have been spawned by the Energy Charter. These committees are dominated by Euro-groups and have become a key way of pulling national groups into the ambit of the Commission.

This development has tended to confirm the early suspicions of Euro-watchers that the Commission would come to depend on well organized groups operating in Brussels. For example, Butt Philip remarked on the Commission's *group-reliance*:

The Commission, for its part both wants and needs contact with the many interest groups in Europe. It too needs information about the variety of positions and aspirations of Euro-groups and national pressure groups, as well as factual information which may be slow in arriving from national governments. Such information will often be essential material upon which to construct proposals and policies which will have community application (Philip, 1985, p.42).

Thus there is a familiar information deficit which often exists between agencies and interests. However, because of its extensive policy agenda and limited policy resources the European Commission seems to suffer particularly from such a deficit.

It seems that out of functional necessity more than anything else Commission officials are

²The Commission itself recognises some 3000 'special interest groups' in Brussels (SEC 92 2272)

prepared to offer groups preferential access at the early stages of policy development in return for detailed information they would otherwise struggle to gather. In a document published in 1992 outlining the Commission's relations with outside interests, policy-makers emphasised the extent to which they value collective inputs. The document noted that: 'special interest groups serve as channel to provide specific technical expertise to the Commission from a variety of sectors, such as the drafting of technical regulations' (SEC 92 2272 final). The document went on to spell out the nature of contact:

There are basically two forms of dialogue between the Commission and special interest groups: through advisory committees and expert groups which assist the Commission in the exercise of its own competence; and through contact with interest groups on an unstructured, ad hoc basis. The nature and intensity of these contacts varies.

If the Commission is keen to make use of collective bodies via its network of ad-hoc committees then companies will be anxious to make sure that the group's positions have been sensitized to their particulars. MacMillan's study of over 20 major companies showed that not all felt they had good access to Commission officials and many conceded that 'getting time with key officials in Brussels is becoming more difficult as the city attracts more lobbyists' (MacMillan, 1991, p.11). Thus while some companies gain good access, it appears that Euro-groups are more likely to find themselves pushing at an open door in Brussels..

The need for a well organised Euro-group is also underscored by a number of other practical factors.. While officials often consult individual companies, they do appear to have some resolve to speak only to groups where the issue may involve competitive advantages for individual manufacturers. The Commission goes to extraordinary lengths to be seen as 'even-handed'. On other issues, such as 'side-impact' test procedures, one company told us 'the Commission insists on going via ACEA even though it has been approached by a manufacturer ... they won't take up some issues unless ACEA runs with them too'. Our discussion of ACEA's structure and activity below illustrates that such

issues have become the main concern of the group. Although participation in the group need not always be constructive, companies often seek to prevent the group reaching common positions. For example, it subsequently transpired that the PSA group had frustrated emissions talks within CCMC because it was well advanced with lean-burn engine development.

There are however plenty of issues upon which producers can agree a position and in these cases the collective approach is seen as a more effective option. This is particularly the case in areas where the Commission has signalled an intention to act in the future. The more each manufacturer falls into line with current regulations the more consensus there is about future ones. This occurred in the case of car emissions which was previously the subject of much controversy in the sector. The manufacturers are united in their opposition to Commission proposals to set further limits on emissions after 1996 based on US legislation. Two ACEA working groups are currently preparing proposals on the issues in a bid to avoid legislative standards. One of these proposals is that each ACEA member guarantees to reduce the EC sales weighted CO₂ emissions of its new car fleet by 10% on a voluntary basis within the period 1993-2005. Another example of this type of approach is ACEA's opposition to the Commission's plans for the recycling of car plastics throughout 1991-92. ACEA has submitted several draft recommendations advocating an alternative system of recovery of used plastic parts and continued research into the problem. This reflects the concerns of the new group to adopt a higher EC lobbying profile and to be more pro-active than CCMC. The *European Report* (25/5/92) noted:

ACEA underscored that car makers are capable, through self-regulation, of finding a solution for the recycling of plastic parts, as they did for metal parts, provided that the research is not nipped in the bud by EC regulations.

Such calls for self-regulation reveal a further important advantage of having an effective Euro-group. Manufacturers believe that the Commission's lack of technical expertise combined with its inability to properly police technical implementation have increased the appeal of self-regulatory proposals to hard-pressed officials (as well as national

governments!). While guarantees from individual companies are likely to be treated with suspicion, group undertakings to monitor member compliance and provide regularly updated information are far more likely to succeed. It is therefore essential to establish a group which is seen to have the resources and expertise to monitor and regulate its members. Similar proposals have been put forward by ACEA on recycling and safety measures. One company official underlined the point: 'Offering to police ourselves makes their lives easier and our lives easier and is possible if you have a credible central organisation. Its then a matter of whether they [officials] can convince the politicians'. Even in those areas where the Commission is suspicious of the 'closed shop' aspects of self-regulation it has rarely been willing to assume more responsibility for implementation. A good example of this from 1992 was the concern that inflated British car prices were related to the industry's selective distribution arrangements which the Commission exempted from EC competition rules in 1985. Despite a number of consumer group campaigns highlighting 'bad implementation' by the car companies the Commission has been content to reiterate the guidelines which the manufacturers were originally expected to follow.

Another enduring advantage of the European federation is that it can act as a front for large companies seeking to avoid regulation of their business environment. A large company may wish to approach the Commission under the guise of a collective body whose demands *approximate* to the company position. This may well be the case in heavily concentrated sectors where a few firms are dominant. For example, in the Consumer Electronics sector Philips have used 'letterhead' organisations to pursue their interests (Greenwood and Ronit., 1992a). In this way individual company positions can be advanced via collective channels to a receptive Commission. Another example is where one or two companies are particularly affected by an issue but wish to use the collective support of the Euro-group to press home their position. For example, Land Rover found itself indirectly caught up in a US-Japan trade dispute in 1993 and sought the help of ACEA and the EC to resolve the issue. The Clinton administration, under pressure from its domestic producers and workers³, has proposed to reclassify all utility vehicles as trucks rather

³The United Auto Workers Union provided strong support for the Clinton presidential campaign in 1992 (*The Sunday Times*, 21/2/93)

than cars increasing the import tariff from 2.5% to 25%. The move was intended to reduce the import of four wheel drive Japanese vehicles but threatens the British producer in its most important export market. The Commission has reiterated that the policy would break part of the GATT agreements on vehicles (*The Sunday Times*, 21/2/93). In this way individual company positions can be advanced via collective channels to a receptive Commission.

Thus, despite the prevalence of multilateral lobbying, Euro-groups still play a potentially vital role in the policy process. If these organisations are ineffective this can create a number of problems for companies in a particular sector (This is occurred with the now defunct CCMC which was viewed with derision by many Commission officials). The key point is that while companies may prefer to use several options when lobbying in Europe, they realize the importance of the collective organisation and wish to ensure it is effective. It is not surprising therefore that in several sectors large companies have initiated changes in the structure of the European federations which represent their interests in Brussels. The nature of these changes has been unmistakable, to create organisations which are more directly under the control of large companies.

The Formation and Role of ACEA

Our expectation then is that Euro-group developments will be member led with the trend towards the formation of small (numerically) producer led Euro-groups through which active companies can advance their interests. The group is such an important channel of influence in the EC policy-making process that companies will want direct control over it. These smaller 'Euro-clubs' are likely to form in oligopolistic sectors and in sub-sectors where a specific set of commodity interest is involved. The most spectacular example of this type of reorganization has been in the motor industry following the collapse of CCMC and CLCA. The new organisation structure and policy-making functions are set out below.

Membership

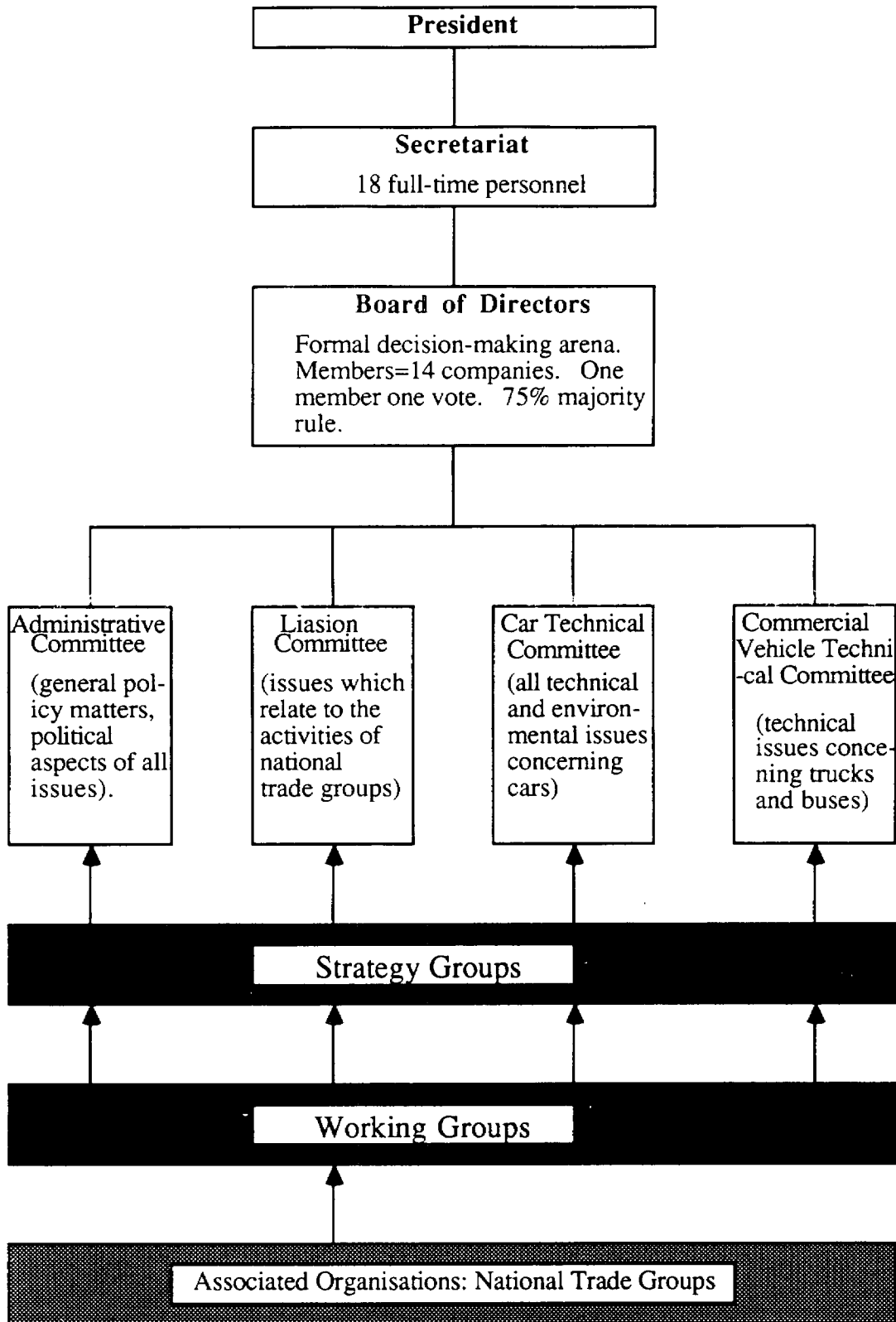
A key feature of the development of company Euro-groups has been the extension of membership to American multinational companies. Ford and General Motors were

previously excluded from CCMC because their corporate headquarters were in the USA. However, both companies are now accepted as 'adopted Europeans'. This move makes sense for a number of reasons. First, the Commission always had to approach the American multinationals given the size of their European operations. Secondly, the industry's collective positions were never wholly credible because they did not represent the views of the third and fourth largest producers in the European sector. Thirdly, the lobbying resources of Ford and General Motors made them attractive to the new organisation. The reforms have created a more prestigious group which represents the most pivotal sector of European manufacturing. ACEA's members directly employed 6.8 per cent of total EC manufacturing employment in 1990 (35.6 per cent indirectly) and made a 1.6 per cent contribution to EC GDP in 1989.

The Expansion of Group Committees

A number of companies felt that CCMC's secretariat was too 're-active' and only responded to issues after they had become a problem. In response to this the new group doubled its staff and expanded the number of working groups to cover a wider issue agenda. There are around 30 ad-hoc groups at any one time examining issues such as CO2 emissions, Eco-labelling, passive safety and light installation. Around 20 of these groups tend to be highly technical and staffed by experts from relevant company departments, with the remainder dealing with more political issues such as Japanese imports and taxation policies. However, it is often the case that even in the technical committees agreement cannot be reached and it remains for the Board of Directors to agree a common position. ACEA officials told us that agreement is more likely at this higher level because presidents tend to be more flexible.

ACEA: Organisation and Structure



The Introduction of Majority Voting

In the past the requirement of unanimity amongst company members often prevented CCMC from generating meaningful positions. However, if a group-bureaucracy coalition is to become clientelistic the group must be well organized and *authoritative*. The unanimity rule which was common in most Euro-groups pushes group discussion inexorably towards lowest common denominator positions which are of limited use to an official in the drafting of policy. In such circumstances, a Commission official has noted that 'it may be useful to have an input from individual companies with specific interests and representing opposite sides of the case' (Hull, 1991, p.8).

In a bid to move towards more meaningful collective positions ACEA introduced a majority voting mechanism. This requires a 75 per cent threshold with decisions reached on a one member one vote basis, and is clearly intended to improve the decision-making capabilities of the organisation. Though ACEA is unlikely to have to resort to the majority rule, its existence prevents any one company from stifling group discussions.

This was demonstrated almost immediately upon ACEA's formation when it reached an agreed position on the issue of Japanese imports which had previously proved intractable within CCMC. Evidently ACEA's success on the issue reflected a pre-existing consensus amongst those car-makers who disbanded CCMC, however the shift to majority voting was vital in pre-empting any further obstructionism on the issue. As one interviewee put it: 'We succeeded in moving away from the lowest common denominator towards a policy package which accommodated the various industry positions'. Many companies had become increasingly concerned with the industry's inability to participate in collective discussions on this vital question which had antagonized the Commission. By early 1991 the Commission insisted that the industry speak with one voice on the issue before key negotiations started with the Japanese government. Thus the leading companies belatedly formed the opinion that it was crucial to put up a united front via the group. In such instances the group is probably a better option than a direct approach and this underlines the need to act collectively where there is the perception that such approaches are likely to be more successful. All the company officials interviewed acknowledged that on some

issues policy-makers will insist on going through the group. The company strategy is then to shape group positions. However, the shift to majority voting and the formulation of a Japanese policy were not without their costs. The PSA group, the second largest European car maker, refused to participate in the new group and maintains that a tougher stance should be taken against the Japanese.

The Marginalisation of National Trade Associations

Within ACEA voting power now resides with the fourteen member companies in the Board of Directors and there has been a marginalisation of the role of national trade associations within the group. From having their own peak association in CLCA these groups are now represented via one standing committee in the new group's structure. National trade associations have no voting power, no representation on the Board of Directors and can only participate in working and strategy groups where they are invited to do so by the secretariat. Under this new regime national groups are only associational members of the Euro-group while companies are full members. The structure signals a shift towards the type of Euro-club of companies which are increasingly being utilized by large corporations exasperated by national disputes in peak associations. As George (1991) has pointed out in his critique of neofunctionalism, it was precisely this propensity for national interests to hinder supra-national association which early integration theorists failed to anticipate (George, 1991).

Redefining The Euro-group Role

These changes clearly represent an attempt to move away from traditional 'Euro-group' structures, particularly the idea of a federation of nation groups, and the problems associated with it. The key manufacturing companies now directly finance the Euro-group's activities and control its policy-making mechanisms. The long term impact of the changes to the car-makers' collective lobby remains to be seen, however, there are encouraging signs from those sectors which undertook similar changes. For example, in his review of European federations Grant notes that one of the most effective bodies, the European Chemical Industry Council (CEFIC) had similar problems reconciling a federated structure with the desires of large companies for direct influence. He notes that:

While CEFIC remained a federation of national chemical associations, there were recurrent tensions about the extent of direct participation by the major firms in the organisation's decision-making ... companies saw themselves as paying for the organisation but having a limited input into its decisions (Grant, 1993, p.33).

As a result of such concerns, CEFIC introduced fundamental changes to its structure in the mid-1980s. In order to try and achieve a wider consensus on industry issues non-EC multinationals were allowed to join the group as corporate association members. This still left many leading companies with a peripheral role and in 1991 they were given full membership rights. The balance of power within the group is now shared between the large companies and national federations. In terms of extending direct firm influence at the expense of national trade groups, the chemical industry reforms have not gone as far as those in the motor industry but Grant's evidence suggest they have made for a more effective organisation (Grant, 1993).

However, the structure of the particular industry in question may be a factor here. Many of the difficulties with collective action in the car industry have stemmed from difficulties of harmonizing national regulations which were designed to protect domestic industries. Those industries which are dominated by multinational companies rather than 'national champions' may be able to work more effectively on a collective basis. This has been the case in the biotechnology sector. In a review of Euro-groups in this industry Greenwood and Ronit have noted that:

Only one of these [Euro-groups], however, appears to have been particularly effective, a small outlet which began life with a rather exclusive, 'by invitation only' direct firm membership structure (Greenwood and Ronit, 1992a, p.45).

This group, the Senior Advisory Group Biotechnology was organized by large companies from the chemicals sector who had specific commodity interests in biotechnology. These multinational companies have perhaps more interest in uniform EC regulations than those companies whose production is concentrated in their domestic market.

Life Outside The Group

The decision by the PSA group to remain outside of ACEA may appear unwise in the light of the above discussion, but it may also illustrate just how inessential the group option can be to the large company. The PSA group is a leading manufacturer in France and an important national economic interest. It is therefore an important political actor in the national polity and can rely on the use of national channels when lobbying Brussels. It is also clear from interviews that the PSA group is such an important player in the European motor sector that its views cannot be ignored by the Commission. The company has its own representation on Commission working groups. Indeed the French car-maker's solo approach appears to have paid some dividend with the French government successfully negotiating agreements with Japanese car-makers independently of the EC-Japan discussions.

Nissan and Toyota have reached a bilateral deal with the French Government to limit the sales of their UK-produced cars in France in return for clearance to establish their own dealerships in the country. Thus the French industry is protected by a voluntary export restraint on direct exports, and by this new 'gentlemen's agreement' over transplant production. In addition the French Government has also gained undertakings that the Japanese will buy more French components for their British plants as part of the arrangement (*The Daily Telegraph*, 24 January 1992).

However, there are grounds to be sceptical about the wisdom of the PSA group's isolation. It is reasonably well established in the literature that the Commission will usually insist on talking to Euro-groups, any non-member will have discarded the option of influencing that dialogue directly. Even if the group debate goes against the particular company there is still the option then of seeking to outflank the group via national and bilateral activity. Not

forgetting of course those instances where the Commission is resolved to limiting consultation to collective discussion.

There is a more practical reason for a large company to be in membership. The diversity and volume of interfaces that are likely to develop between a multi-product company like the PSA group and the EC, makes group activity a useful way of managing the company's representation. This point has also been made by Salisbury in his discussion of American companies. He suggests it is the complexity of bureaucracy-business relations that leads companies to represent their interests via groups. Salisbury argues:

... the very size and complexity of an institution renders it vulnerable to a much broader array of specific policy impacts, positive and negative, present and prospective ... A given corporation is quite likely to find itself in several encounters at once, on different policy issues, being worked on in different institutional settings, and requiring different modes of political action (Salisbury, 1984, p.69).

It is surely the fact that corporate representation is a complex business which explains much about the diversity of interest representation strategies readily observed in EC policy studies. In our understanding of the nature of EC lobbying, to pass over membership of a sectoral group is to throw away an important option. It therefore comes as no surprise to discover from interview sources that the PSA group does in fact have an informal liaison with ACEA and has not been unduly handicapped by non-participation. In fact, it appears that a continuing dispute between the PSA president and other car chiefs over CCMC's collapse is the explanation for their isolation and that executive changes in the French company will pave the way for membership.

From Isolation to Exclusion

Despite the fact that they are now firmly established in the European motor industry (see *Fortune*, 4/5/92), the Japanese car-makers remain excluded from ACEA membership and have no direct access to its working groups. Even with the PSA group not in membership suspicion of the Japanese car-makers and fear of their productive efficiency remain deep-seated in the European motor industry. This has been underlined by developments since

1991. For example, the Dutch car-maker Volvo BV was asked to leave the ACEA in 1992 because the Japanese corporation Mitsubishi acquired a controlling stake in the company. Similarly, since Nissan has qualified for full manufacturing status membership of the British trade group, the Society of Motor Manufacturers and Traders, in 1992 the British group has found itself marginalised on some issues within ACEA.⁴

The wisdom of excluding the Japanese in this way seems questionable if the experience of American investors in the 1960s and 70s is a precedent. The Americans were able to compensate for their exclusion from CCMC with the use of other lobbying channels to such an extent that, in the end, it was decided to extend full membership to them. So to, have the Japanese have been fortifying their lobbying resources in Brussels. They are able to use national channels because of inward investments in nation states and they can of course use consultants and lobbyists just as the other car-makers do. Indeed, because the Brussels bureaucracy is open to external representations it has been fairly easy for the Japanese to make their views known either via the Japanese Automobile Manufacturers Association, which has an office in Brussels, through MITI and other government agencies or individually via consultants. One consultant for the Japanese car-maker Mazda has recently pointed to the advantages the Japanese have when lobbying in Brussels:

Those consultants working for the Japanese can successfully build lasting relationships with Eurocrats simply by consistently and accurately passing relevant information to officials ... The information networks that the Japanese have created with EC institutions are solid. And they don't lie, they have no reason to. they have everything to gain from being a "good European citizen", whereas European companies have everything to lose, and do try to protect themselves (Morrison, 1993).

Morrison gives the example of an EC directive to reduce noise pollution from cars. In this case the Japanese companies provided the Commission with information about the state of

⁴This type of xenophobia is not restricted to the motor industry. For example, Cawson found that several clandestine groups had been set up by European electronics firms to establish a channel of interest representation which excluded trade associations which may have Japanese members (Cawson, 1990)

their product development and domestic conditions in Japan where lower noise levels had been achieved. Clearly, it seems that the Japanese, like American companies before them, will have to be accommodated by EC car-makers in ACEA. Joint ventures such as those between Mitsubishi-Volvo, Rover-Honda and Ford-Mazda are likely to encourage this development.

Conclusions

The Commission has always been an institution open to input from special interest groups. The Commission believes this process to be fundamental to the development of sound and workable policies (SEC 92 2272, p.9)

The European Commission prides itself on being an institution open to external advice and lobbying. In fact, mandatory consultations with interest groups is provided for in Articles 193 to 198 of the Treaty of Rome covering the Economic and Social Committee. The Treaty also allows the Commission discretion to establish advisory committees and consult outside interests as it sees fit. Evidently the Commission has made full use of these powers and part of the reason why Euro-groups have been unable to fulfil the pivotal role allocated to them by early integration models is that the Commission is willing to consult other interests. In its 1992 document outlining relations between the EC and special interests the Commission emphasised that:

While the Commission tends to favour European (con)federations over representatives of individual or national organisations, it is nevertheless committed to equal treatment of all special interest groups, to ensure that every interested party, irrespective of size or financial backing, should not be denied the opportunity of being heard by the Commission (SEC 92 2272, p.5).

The reality is that Commission officials' preference for the Euro-group approach is an ambition with no guarantee of success and they will welcome good information from which ever sources are available. The notion that Euro-groups would be the key agents of integration is difficult to sustain in the light of this more crowded lobbying environment.

A major characteristic of European lobbying in the car sector is the importance companies attach to independent activity. This may involve lobbying national officials or hiring from the many political and legal consultancies in Brussels. More typically it involves the companies having their own 'in-house' operations in Brussels to coordinate lobbying activity and monitor the EC policy agenda. Thus Euro-groups may be outflanked by the activities of their members, are often letterhead fronts for large companies, and can become paralysed by a lack of internal consensus. As MacMillan has concluded:

Diversified and decentralized companies may use multiple contact strategies with Brussels. Apart from the route via national governments there may be at least three others: personal contact by senior managers from a product area, where for example, a specific industry perspective is required; personal contact by a top manager when a corporate viewpoint as a large international company is called for, for example, in relation to trade, company law or taxation matters; and contact via industry or employer associations, where the company needs to be seen to be acting in concert with others (MacMillan, 1991, p.11).

Yet, paradoxically this study has also reported the efforts of several sectors to fundamentally reform their collective representation. These new organisations are better equipped to cover a wider agenda of issues and have improved policy-making structures. However, there is no inconsistency between a company's desire to improve the relevant collective body and its willingness to act independently of that body. The argument here is that Euro-groups are best seen as an option for the multinational company or the 'national champion' lobbying in Europe. The Commission may have come to rely on the Euro-group in its myriad of working groups and advisory committees, but the company *rarely* relies on the Euro-group. Thus while these new organisations represent a significant development, they are not evidence that early expectations about the singular importance of Euro-groups in EC policy-making has finally materialized. The fact of multilateral lobbying is ingrained in the European policy process

European policy studies should therefore distinguish between the process of representing an institutional interest—in this case, of large corporate enterprises—which leads to a

diversity of methods of representation, and interest group activity which is merely one aspect (albeit an important one) of this phenomenon. In short, if the goal is to understand the development of EC policy it is the influential policy participant rather than (necessarily) the Euro-group that should be the major target for scrutiny.

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