

Lobbying the potent EU, whose influence is borderless

By JOCHEN LEGEWIE

Companies doing business in Europe are well aware of the European Union. But what some might yet not be so aware of is how important the EU institutions in Brussels and elsewhere can become for their business. What you don't know can hurt you a lot indeed. Consider the following:

In 2005, the EU adopted IAS as the common accounting standard framework for companies listed on European securities markets. By 2009, the rules will also become applicable to non-EU companies. Japanese companies raised about 3 trillion yen in European capital markets recently. However, the costs of applying the EU standard in parallel with the Japanese accounting rules could be immense. The only way out might be to adjust the Japanese accounting framework.

Or to look at other cases: In July of this year, Microsoft was hit with massive fines of 1.5 million euro (\$ 1.9 million) per day. The infraction? Violation of European Union anticompetition laws. In the past Sony, too, felt the pain: in 2001, just before it was to begin selling 1.3 million PlayStation units for the Christmas sales season, it was found that cadmium levels in the cables exceeded limits specified in EU health regulations. Sony had to replace them before sales could take place.

But the EU does not restrict itself to Europe per se. Many of its legislations are being taken as a kind of global standard, particularly in environmental matters. Countries like China are drafting new laws based on the EU's new REACH standards (Registration, Evaluation and Authorization of Chemicals), and are following EU waste management policies. The emissions laws passed this September in California also use EU-style carbon trading as a model.

What all of these cases spells out is clear: the EU wields considerable power, and its influence is not limited to Europe. Companies that are not prepared for this can suffer heavy consequences. Whether it is compliance with accounting standards, curbing anticompetitiveness, or protecting the environment and health, the EU is active in many areas. This leaves companies with three options: retreat from markets that use EU standards, comply with the standards, or attempt to negotiate a compromise.

It is within this third option -- negotiation between companies and lawmakers -- that one finds the fine art of lobbying. But it is important to recognize that lobbying is not focused on existing laws; it is mainly an activity for the creation of future laws -- laws that can be instrumental in determining a company's business. Furthermore, lobbying is not reserved for national or industry-level negotiations. It is a tool available to individual companies as well. To practice lobbying effectively, however, one must understand the EU.

First of all, the EU is a supranational organization. Although it does not carry jurisdiction in every possible field of legislation, the laws that it does pass supersede the national laws of member states. In particular, the EU's legislative powers cover environment and health, and many other potential business areas.

Second, the political structure of the EU is composed of four separate entities: the EU Commission, the EU Council, the EU Parliament and the European Court of Justice. In very basic terms, the Commission initiates legal acts, while the Council and Parliament represent the interests of member states. The Court acts as a balance to the regulatory power of the EU itself. Lobbyists should know which step in the process they need to focus on.

As the EU is still a new political entity, the legislative process remains relatively open and transparent. Access to lawmakers is intended to remain fairly easy for the benefit of the public. In practice, however, there is intense competition to see these lawmakers, as there are more than 4,000 interest groups established in Brussels. The simple truth is that lawmakers need information in order to make their laws. The more a company or organization can provide this information, the more the lawmaker will rely on them and propose laws that are favorable to that

source.

Of course, it is not only corporate interests at work here. National, regional and local bodies have their representatives, not to mention the countless NGOs and other interest-specific organizations. And given the democratic structure of the EU, as well as the overall progressive political climate, even small groups are able to exert some influence.

This should come as some comfort to Japanese companies, who suffer from the distance away from Europe. Traditionally, Japanese companies have worked with one another or with bodies like the Japan Business Council in Europe when faced with the task of lobbying. In some areas, this may be still the best way to proceed. But there are other ways, such as working with European lobbying consultants. Japanese firms can also work with a European company facing the same issue, and thus make the issue a national or regional one, which can be much better lobbied for in Europe.

Regardless of the methods chosen, lobbying in some form or another is a crucial business activity that many Japanese companies cannot afford to ignore in Europe. Not only is ignorance of the law no excuse, ignorance of how laws are made is something that companies might pay for, bitterly.

Jochen Legewie is president of communications consultancy CNC Japan K.K.

The Japan Times: Monday, Oct. 2, 2006

(C) All rights reserved

[Go back to The Japan Times Online](#)

[Close window](#)