

Organizational challenges to economic interest representation in the EU

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Abstract

In the past decade Europe has succeeded in enlarging and deepening the EU and, as a consequence, interests have become more diverse and reconciling diverging interests has become pressing. This constitutes a major challenge for the representation of economic interest. EU institutions call for representativeness when dealing with interest groups and take this to refer first of all to balanced territorial representation. Economic realities, however, do not meet these expectations. The EU of 28 is essentially a Union of small states with a weak industrial base and the process of deindustrialisation has also weakened the voice of industry in some of the larger member states.

The paper examines how business associations try to meet the challenge. It makes the assertion that we witness a new wave of Europeanization of interest organisation. Strong national associations reach out to Brussels by taking European sector associations under their wings or by sponsoring new specialised associations with direct firm membership. By doing so they incur the competition of EU level umbrellas that also strive to boost their position by strengthening their alliances with European sector associations.

The analytical focus is on contextual factors such as economic diversity, resource endowment, different roles attributed to associations, changes in the EU system of decision making and how these factors impact on the choice of strategies and patterns of re-organisation.

A New Research Perspective

The impact of EU politics on economic interests has never been greater.¹ The number of national business associations has substantially increased during the past decade, especially in the large EU states. At the same time, economic actors claim that competition between interest groups has increased and that a trend toward politicisation (political rather than professional considerations in planning and deciding upon regulative measures) can be observed among EU institutions. These claims are supported by organisations and businesses. Nevertheless, our survey results show that fewer associations have directly contacted European institutions or their national institutions to push their interests within EU politics than in the past decade. The results also show that politicisation had no influence on the contact strategies or in the selection of instruments.

How can we explain this contradictory result? And how can we best interpret the meaning of economic interests for European policy (or for policy in general)?

This paper's hypothesis suggests that we must rethink our research approach. Up until now, empirical research has taken two paths, which means it either investigates the resources, accessibility and influence strategies required by social actors. A plethora of (individual) studies has shown that the politics of vested interest is a relationship of exchange whose success depends on the mutual need for certain commodities: for policy-makers it is information and compliance, for business it is the consideration of interests. Comparative studies which analyse a large number of cases (EUROLOB I and EUROLOB II) have confirmed that resources play a decisive role in regard to the extent, frequency and earliness of contact with important decision-makers. As a result one should expect that the endowment of resources makes all the difference and that national differences will wither away over the long years of EU membership. However, our research findings underscore the persistence of the national element. Systemic lobby cultures which have developed over time are firmly established and do not simply become Europeanized (see the contribution by Quittkat).

As valuable as these studies are, all they do is enhance our knowledge about the criteria necessary for successful political influence. This has led research to once again address the question of actual political influence (Dür 2013; Klüver 2013) and come up with new approaches to overcome the well-known methodological difficulties which stem from the limited possibilities of conducting a sufficient large number of detailed case studies in order to arrive at general conclusions and the complexity of decision-making processes which make it difficult to attribute policy output to specific interventions. Both authors have combined large N-studies with content analysis and their findings have significantly contributed to the state of the art. Their research has also yielded some surprising results, such as the discovery that NGOs in the EU are often more influential than the representatives of economic interests (Dür 2013).

Notwithstanding these achievements, research based on comparing stated positions by decision-makers and interest groups also suffers from considerable restrictions. Concentrating on legislative activity starting with the moment when the Commission submits a proposal, even if it is first draft like a communication or a Green Paper, neglects the active lobbying by interest groups which takes

¹ The following information is based on an empirical research project taking stock of all business associations in France, Germany, Great Britain, Poland and at the EU level. We launched a written survey in 2012 and received 619 responds. See Kohler-Koch/Quittkat/Kurczewska 2013; <http://www.mzes.uni-mannheim.de/publications/wp/wp-151.pdf>.

place during the preparation phase. To put it in the words of an experienced interest representative in Brussels: “The ones who do not act in advance of the first Commission proposal are the ones who miss out.” To counteract this problem, it would be necessary to schedule the observation period far ahead to trace the influence exerted by various powers on problem definition and agenda setting. This would involve a significant amount of work and still the research would miss out on important factor, namely, the specific context of interest intermediation as defined by the composition and outlook of interest groups. The exertion of influence, the strength of its effect and the direction it takes depends on how interests are first organised and aggregated. This is why I advocate extending the research concerning the political impact of economic interests by investigating the changing patterns of interest group formation. This approach will complement the research up to this point and will deepen our understanding of social influence on policy-making.

The organization or rather re-organization of interest groups, in our case business associations, does not take place in isolation but – as Schmitter and Streeck have pointed out some decades ago - follows the logic of membership and the logic of influence. In other words, business association have to satisfy the demands of their membership and to optimise the exchange relations with decision-makers when they want to survive in a highly competitive environment. When it comes to the EU, the environment for interest representation has become increasingly competitive in recent years. In addition, established business associations both at national and EU level are faced with a diversification of demands from their members and parallel to this with deteriorating access opportunities to the policy-making process. Being squeezed between the demands of members and the requirements of fitting the multi-level system of EU interest intermediation generates dependence but at the same time frees business associations from a one-sided dependence on their clientele. Thus, the parsimonious model of interest groups as agents of their company members does not fully reflect reality. Business associations have to respect the functional interests of their principles but they are involved in the definition of these interests and take actively part in the framing of the perceptions regarding the future challenges business has to meet and of the most promising ways how to do it successfully. They design strategies that are not mandated by their corporate membership but are based on their own assessment of what has to be done and this assessment always takes into account what is good for their members and what is good for the association. Thus, business associations are strategic actors who pay attention to environment change and, when necessary, seek to optimise their effectiveness through modification in behaviour and by organisational adaptation. As it is well-known, the adaptation is constraint by inertia inherent in every organization and must be accounted for through the lens of historical institutionalism. Moreover, change in the organisational environment is always perceived by communicative processes; as such, the communicative environment of associations needs to be taken into account.

Starting from the assumption that much scope is left to business associations to identify goals and strategies of political action and to adapt in terms of strategic behaviour and re-organization, research should focus first on how associations assess the economic and political environment and which strategic options appear realistic and promising:

1. Which economic developments and political changes are perceived as relevant to the achievement of the interests of business and associations?
2. Which adaptation strategies are available and seem appropriate?

It is expected that the adaptation strategies implemented by associations will make a substantial impact on interest-driven politics. The restructuring of an organization, be it on the national or the European level, and the pursuit of new forms of cooperation, whether between interest groups or in public-private partnerships, will have the effect that interests will be incorporated, bundled and carried over into society and politics differently than is presently the case. Thus, in a second step, we should investigate the process of organizational adaptation. The empirical questions are as follows:

3. Which organisations exist in addition to the associations?
4. To what extent are associations reorganised at the national or European level; how is it done and does it generate new types of associations?
5. Does re-organisation change the objectives of interest-driven politics and the mission of associations?

The empirical research should give us some clues as to future developments. Thus the final question – which cannot yet be answered on the basis of the present research - is:

6. What kind of long-term effects can be expected on the European system of interest intermediation?

Since I started with my empirical research only a few months ago, the findings have only limited validity as they are only based on German business associations in three industrial sectors (engineering, chemical, electrical and electronic (E&E) industries) and their European counterparts.

Environment Change Relevant to the Politics of Interest Representation

Globalisation and De-industrialisation

Market and investment globalisation is a development familiar to German companies and one in which they actively participate. However, competitive pressure from the emerging countries has drastically increased within the past decade, especially from China. Asia accounts for half of the world trade in such industries as the chemical industry or engineering, with China contributing the greatest volume and boasting the largest growth rate in production and export. The Chinese export of electrical and electronic goods is three times that of the German industry. Germany is still the fourth largest industrial nation in the world behind China, the USA and Japan but the gap with China has increased noticeably. This has led the German industry to concentrate first and foremost on developing global competitiveness. There is also an existential interest in the global compatibility of the EU's standards and regulative policies.

When compared with Europe, Germany's industrial competitiveness takes the forefront. De-industrialisation in Western Europe has decreased Italy's industrial share of the gross value to 16% and to about 10% in France and the United Kingdom (10.8% UK; 10.1% France), while Germany's share amounts to 22.6% (numbers for 2011). The German industry's production and export numbers are well above those of other EU countries, especially in the industrial sectors of chemical products, E&E, and engineering, which have been examined more closely in this project.² The level of industrialization in Poland, the Czech Republic and Slovakia is above the EU average but their

² The Netherlands is the second largest exporter among the EU states in the E&E sector and is surpassed only by the large member states mentioned above in chemical production and engineering. Sweden is also a powerhouse in the E&E industry and engineering.

production and export volume is below average, even when measured in terms of the size of the countries. The smaller countries of the eastern and southern EU do not have any significant industry.

Obviously, these imbalances do not make the joint representation of interests exactly easy, and the resulting consequences can only be established empirically. It must be kept in mind that European cooperation is influenced by the lobby practices of the member states and their history with associations. The question is how these difficulties are approached and whether this leads to certain actions.

Technological Upheavals

Most German industrial businesses need a head start in research, development and innovation to compensate for cost disadvantages and to either maintain or expand their international competitiveness. There are so many dynamic and profound changes taking place, especially in the area of advanced technology, that observers regard it as the beginning of the fourth industrial revolution. We can actually expect a radical change in industrial production and approximately a 30% increase in productivity by these modifications, appropriately tagged as “Industry 4.0”. The development tends toward “self-organised production”, in which the process is independently controlled. Companies are faced not only with high research and development costs but are also confronted with the necessity of restructuring and organising the entire supply chain, and to even develop new business models if required. The project will be carried out in close cooperation between the economic, political and academic sectors, which results in substantial resources by public research funding (national and EU), joint expert committees and promotion groups on strategy setting, and concentrated public relations work.³ The industry has joined together in cross-sector platforms. This is evidently an important field of activity for economic associations. The main questions are: Which associations actively take on innovative challenges? What role do they play in relation to their companies? Are actions industry-specific or sweeping cross-sector? Do the most important political developments take place at the national or European level?

Systemic Company Development

Driven by technological innovations, the core supply chain of a company or even an entire sector is increasingly less limited to traditional production and product portfolios. This can affect the identity of an entire sector, such as the automobile industry and the E&E industry, which are assuming the role of “systems leader” more often due to the growing significance of electric engines and the related need for batteries, as well as the general advances in automobile technology. Individual companies are also expanding beyond their traditional business. Unlike in the past, this does not happen through the diversification of product areas but by reorienting the core business to expand its systemic offer. The challenge for associations is not that a company expands a limited product portfolio (*Osram* relied mainly on light bulb production to generate its revenues until recently) to include an extensive offer of light management systems and its related software. Rather, the challenge is the systemic linkage of services within the entire sector. An example is *Bilfinger’s* restructuring from a construction corporation into an engineering and service corporation. The services offered to the client comprise the entire life cycle of an industrial facility – from planning

³ See the relevant BMBF webpages, <http://www.bmbf.de/de/19955.php> (01.09.2013).

through set up and operation to maintenance and optimisation. The services also include environmental, energy, security and risk management. Above and underground engineering, *Bilfinger's* original core business, only play a secondary role, while the services formerly assigned to electronic technology, plant and process engineering have become more and more prominent. Companies have become important cross-sector market players and associations must adjust to these new constellations.

Politicisation 1: Paradigm Change in Industrial Policy

The EU commitment towards a re-industrialisation of Europe, i.e. the increase of the industry share from the current average of roughly 16% to 20% by 2020, is a program driven by policy-makers. As a result, we should expect a type of policy that will be interventionist in nature and far more dependent on politics than in the past. To implement this, the Commission has presented a variety of initiatives which is almost breath-taking in terms of numbers and diversity.⁴ Accordingly, the industry and its interest representatives feel called upon to influence both the direction of the decision-making process and its specific implementation.

The process envisages an assessment of the individual economic sectors to develop a consequent strategy aimed at strengthening their international competitiveness. In its reshaped "strategic approach towards industry policy" of fall 2012, the Commission suggested an extended portfolio of measures and the setting up of further task forces⁵ whose work will certainly lead to additional objective agreements and to concrete political measures. While Brussels emphasises the nature of its policy approach as encompassing all sectors of the European industries, the current sectoral initiatives for the automobile industry, the electronics industry and the chemical industry, among others, clearly hint in another direction. The sector initiatives still on-going in 2013 follow the same route. It is apparent from statements put forward by the German Federal Ministry of Economics and Energy that this process reflects an industry policy governed by directives. On the one hand, one generally warns against the trend towards an interventionist industry policy; on the other, one welcomes the specific initiatives. Thus, the German Federal Ministry of Economics and Energy (BMWi) claims to assign a high degree of importance to the high-level round table steel industry, to the task force on progressive production technologies, to the high-level group on business services, to the bio-economic strategy and to the initiatives "CARS 2020" and LeaderSHIP.⁶ This range is said to reflect the array of key industries that are important for Germany according to the BMWi.

In other words, EU industrial policy does not limit itself to general measures for improving the competitiveness of the European industry but instead engages in sector-specific developments. Industry representatives feel the need to influence the decision-making process, since sectoral committees such as the high-level roundtable steel industry are not only responsible for the

⁴ See the Center for European Politics table, as taken from the European Commission, Announcement KOM(2010) 614, Eine integrierte Industriepolitik für das Zeitalter der Globalisierung; http://www.cep.eu/fileadmin/user_upload/Kurzanalysen/Industriepolitik/UEbersichtstabelle_Industriepolitik.pdf (31/08/2013).

⁵ European Commission Brussels, 10/10/2012, COM(2012) 582 final; <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2012:0582:FIN:DE:PDF> (31/08/2013).

⁶ BMWi, Starke Industrie – starke Wirtschaft. Handlungsfelder der Industriepolitik, 2013: 31; <http://www.bmwi.de/BMWi/Redaktion/PDF/G/starke-industrie-starke-wirtschaft-handlungsfelder-der-industriepolitik,property=pdf,bereich=bmwi2012,sprache=de,rwb=true.pdf> (31/08/2013).

formulation of the action plan (“Action Plan for European Steel Industry”) but are active well beyond this “(...) in order to monitor implementation”. In fact, the participation of those parties affected by policy implementation is part of the process. The Commission and the member states are responsible for the sector initiatives, with the Commission taking the lead through the Directorates General in charge, but “involving the business sector and related parties” is seen as political common ground.

Therefore, we must examine how the industry and its associations identify with the new objectives of the industry policy. How do such sector initiatives develop? What role do companies and associations play in putting together the initiatives and their content? Are they reactionary or do they take on a leadership role? Do associations change their strategic behaviour and their work routines? Does this include organisational changes?

Politicisation 2: Industrial Policy as Part of Social Policy

According to our interview partners, regulatory policy is influenced far more strongly by political considerations today than it was in the past. Companies try to anticipate regulatory trends when making investment decisions so as to be competitive once the legislative process has been wrapped up. The predictability of political decisions is crucial, given the importance of the investments and the long-term nature of their planning. The question is which strategies companies pursue to achieve a higher degree of liability in the political decision-making processes.

An increasing degree of politicisation can also be observed in the EU.⁷ While in the past, targets focused on the inner market, growth and competition, they now centre on general political objectives such as climate protection and health. Targets are determined along the lines of political and social arguments, and the political actors – governments, parliaments, civil society groups – are taking the lead. But the Commission also brings in decidedly political arguments and tries to influence public opinion through the press, conferences, campaigns and broad consultation processes. This way of doing politics has consequences for the interest representation of economic actors. Interview partners observe that the arguments justifying individual regulatory measures aim not only at economic or technological convenience but serve a higher goal of legitimising overarching political objectives. Inflating the political importance in such a way serves the Commission well in gaining support within the European Parliament and from the public.

However, it should not be overlooked that EU decision-making processes have changed. Policy-making is done in cascades: The commitment towards an overarching political goal such as active climate protection translates along the way into concrete obligations such as the support for more energy efficiency. In a first step, an action plan is approved which, for example, obligates the member states to increase their energy efficiency by one percent in the coming decade. This obligation is not legally binding and may be achieved through a variety of measures. However, obligations become stricter by imposing guidelines in a next step. Guidelines are approved in intervals (first decisive guidelines in 2004, further guidelines in 2006, 2009, 2010, 2012), which include far more specific goals and require the member states to fulfil legal obligations. The most

⁷ Majority opinion in the EUROLOB II survey is that the EU institutions have become more politically oriented.

recent guidelines contain “ambitious measures” to achieve “significant savings in energy”, according to the Commission.⁸

The development of new areas of implementation has also expanded, from energy efficiency in each stage of the energy supply chain to influencing product design. This led to the ecodesign guidelines of 2005, which first affected “energy driven” products (e.g. light bulbs) and was then extended in 2009 to the environmentally friendly design of products that are “relevant in terms of energy consumption” (e.g. shower heads). This is now the basis of a comprehensive product regulation. Creating the ecodesign guidelines is a dynamic process. The European Commission presents a new work programme every three years which determines the next product groups to be considered. The list of proposals mirrors the interaction of diverse interests. The search for further products to regulate in the interest of energy efficiency knows no bounds, as the shower heads have proved. Since policy-makers in Brussels seem to be convinced that European citizens will continue to waste water for the sake of cleanliness, it has been decided that the amount of water emitted by shower heads should be regulated throughout Europe. While the majority of member states have technical goals to this end, they are mostly voluntary and vary to some degree and will now be replaced by a standard water-saving target.

Qualitative Changes in EU Decision-making Processes

Social and political objectives that can be realised only by redesigning individual products involve a high degree of regulatory effort. To ease the pressure on the political decision-making bodies of the EU, only the decisive core elements have been determined in the guidelines, i.e. in the normal legislative process, while the details are worked out by the Commission and experts from the member states representing each area. This “comitology procedure” has been subjected to considerable changes by the Lisbon Treaty. It can be replaced by “delegated legal acts” which means voluntary consultation by national experts, or by “legal acts of implementation”, which means that the committees made up of national experts remain involved but that their vote does not to necessarily have to be considered by the Commission. The detailed legislation is thus largely steered by the Commission. The scope of influence exercised by the Council and the European Parliament has been drastically limited by the Lisbon Treaty. The rights of appeal and revocation exist as far as the delegated legal acts are concerned but are tied to high voting majorities; the legal acts of implementation do not foresee a systematic discussion by the Council or the European Parliament. According to all the interview partners, the transparency of this new procedure leaves much to be desired, which makes it more difficult than ever to obtain information on the status of the process and the positions represented. Reinhard Quick, who has headed the VCI Brussels Office for years, concludes that “(...) it is imperative for the advocacy work to bring in the industry positions at an early stage in the process, ideally even before the Commission’s draft has been completed.”⁹

For the interview partners, the ecodesign directive represents a typical example of the future development of EU regulatory governance. The guideline itself is only a framework law which serves as a foundation for the inclusion of further product categories to be regulated by ecodesign requirements. The Commission submits multi-annual work programmes, including a non-exhaustive

⁸ http://ec.europa.eu/energy/efficiency/eed/eed_de.htm (01/09/2013)

⁹ Handbuch. Das europäische Gesetzgebungsverfahren. Implikationen für eine effektive Advocacy-Arbeit, VCI, Juli 2013: 59. (Handbook on European Legislation for Effective Advocacy, July 2013: 59)

list of product groups for which implementation measures are seen as vital in the ensuing years.¹⁰ Pilot studies are commissioned for the identified product groups and serve as the basis for the Commission's working papers which, in turn, are presented to a consultation forum and lead to a draft version of a regulation. This is forwarded to a so-called regulatory committee which is made up of representatives of the member states at the ministry level. The regulation cannot be adopted without the majority vote of the committee. The Parliament and the Council, however, only have the right to review and verify the process. Since the decisive decisions are outlined and determined in the pilot studies, ministries and such institutions as the German Chamber of Commerce and Industry push companies to become involved at this stage.¹¹

According to the associations, the staggered implementation of the guideline facilitates adaptation of the criteria to the technological environment and its development but also leads to constantly changing and tougher regulations. They confirm that new steps have been put into place every year since the guideline has been adopted and that new regulations pertaining to the conformity evaluation must be followed.¹² Product regulation based on the ecodesign guideline deeply affects a company's business and considerably challenges small and medium-sized enterprises and their interest representation. The respective German ministries and the Federal Institute for Materials Research and Testing (BAM) as well as the German Energy Agency (dena) make information readily available; however, an examination of the internet presence shows that only the Institute for Environmental Strategies in Hamburg provides extensive information on current topics and displays information and links specific to the current pilot studies. The Institute was commissioned by the Federal Environment Ministry (BMU) and the Umweltbundesamt (UBA) to build a support network ("EuP Netzwerk Deutschland")¹³, which leads to the question of how the roles among industry, associations and the state were distributed and whether the initiative meets the standards of economic actors.

Selection of Strategies

The statements on strategy selection by businesses and associations are still very preliminary, since the empirical research is in its beginning phase, but the interviews (23) conducted thus far and the accompanying online research have yielded some interesting insights.¹⁴ Selections in the industry sector were based on the economic significance of the sectors.

Economic interests in both the EU and the national context are represented directly by companies as well as their associations. Actors have adapted to the particularity of the EU as a multi-level system right from the beginning, i.e. that the national institutions used to influence decision-making in the Council and the EU institutions themselves are also the contact partners. It is generally agreed that

¹⁰ See the European Commission, COMMISSION STAFF WORKING DOCUMENT. Establishment of the Working Plan 2012-2014 under the Ecodesign Directive, Brussels, 7/12/2012 SWD(2012) 434 final for the current period.

¹¹ Deutscher Industrie- und Handelskammertag e.V. (DIHK) - Vertretung bei der EU, Ökodesign in 10 Minuten, Brüssel, Dezember 2010: 4.

¹² BDEW Bundesverband der Energie- und Wasserwirtschaft e. V. und HEA - Fachgemeinschaft für effiziente Energieanwendung e. V., EU-Ökodesign-Richtlinie (EuP-Richtlinie). Daten. Fakten. Hintergründe, Berlin 2010.

¹³ See www.eup-netzwerk.de run by the Institute for Environmental Strategies (01/09/2013).

¹⁴ The plan is to undertake a comparative survey targeting selected business sectors in all countries involved in the EUROLOB II project (Germany, France, UK, Poland, EU level).

the Commission is the most important partner, especially on the operational level, followed by the European Parliament (EP) which has increased its political clout over the past decade through Treaty changes. Trade associations have merged into European association federations early in the game, at the beginning of European integration and well before the decisive transfer of competencies to Brussels. This is true for industrial sector associations, while the creation of specific European associations has taken a different route. A more recent development is the establishment of a representation in Brussels, i.e. the fact that both companies and associations are on site with an office of their own. This means that information from Brussels and lobbying directed towards Brussels can flow through various channels: either through Berlin or through a home-based headquarters directly to Brussels via the Brussels office or the European association.

It is obvious that resources play a large role in an association's involvement in Brussels. Budgets are determined by the ability and willingness of companies to pay their membership fees, since the German associations examined here are almost exclusively financed by these funds. The decisive factors are the economic performance of the sector, to what extent it is affected by European policies and how effective the associations are. The chemical industry, the E&E industry and engineering are strong sectors in the national and European context and consequently have been able to set up effective associations. There are, however, significant differences among these sectors in terms of the market structures, which are reflected in their organisation. The engineering industry and to a lesser extent the E&E industry are characterized by small and medium-size enterprises. SMEs are in terms of numbers also predominant in the chemical industry but they are dominated by globally operating corporations which are national and global market leaders. The company structure strengthens the industry associations in engineering (VDMA) and in the E&E industry (ZVEI). Surveys regularly show that SMEs in particular feel the negative effects of administrative directives and regulations.¹⁵ At the same time, they do not have the resources to constantly monitor political and legal developments, let alone lobby for their interests in the political process. The associations take over both tasks and also offer a broad portfolio of services, a feature even stronger in the VDMA than in the ZVEI.¹⁶ Both associations are able to react to the needs of their member companies in a highly differentiated manner because the individual departments of both trade associations mirror the sector variations of the industry (VDMA: 39 sectors; ZVEI: 27 sectors; numbers from 2013) and thus meet the needs of the various economic branches. This also explains the resources in terms of staff (VDMA: more than 400 specialists; ZVEI: more than 200 specialists; numbers from 2013). The chemical industry association (VCI) offers considerably fewer services to its members, even though service platforms such as the one for the implementation of REACH are an important form of support, especially for SMEs. Still, it is true that large corporations tackle political regulation more easily and are quite capable of monitoring and lobbying for their own interests. The willingness to establish a strong association in the chemical industry comes from the strong public focus on their production and product profiles.

The economic crisis has affected all three industries to varying degrees. This has naturally impacted the membership fees of the associations so that some strategic modifications, such as the expansion of the Brussels offices, were implemented later than initially planned. Despite such economic effects, the – changing – structural features of the sectors, their position in international competition and the

¹⁵ “administrative and regulatory burden”; cf. survey Commission 2008; quoted from EUnited 2013.

¹⁶ Industry association work rests on three pillars: interest representation vis-à-vis policy makers and society, member services, information exchange platforms and securing know-how.

dependence on European policies are decisive for the way in which associations pursue their interest representation. The portfolio of tools and the addressees surveyed reflect only a fraction of the activities. German associations are not that much different from the associations in the other large EU member states and the sectoral differences are not very significant, either.¹⁷ However, the picture looks completely different when associations are analysed in terms of organisational structure and when the institutionalized cooperation with other interest organisations and political decision-makers are examined. In this context, it is also important to analyse whether and how the understanding of the role of the associations changes and how they are able to obtain support in the political arena and among their members. From a systematic point of view, our case is about

- Changes in the organisational structure of associations. This includes
 - The reorganization of tasks;
 - Equipment and task definition within the representations in Brussels (and Berlin),
 - The role of the association headquarters and of trade associations in European business;
- Cooperation strategies on the European level, whereby the changes to observe are closely linked to one another
 - Multi-lateral and bi-lateral cooperation,
 - Reorganization of European associations,
 - Significance of ad-hoc alliances,
 - Public-private partnerships with the Commission;
- Trends such as
 - The development of an industrial-policy leadership claim by associations and
 - The rise of a new type of association.

Strategic organisational adaptations will be presented together below to emphasise the connection with the specific challenges of interest representation.

Optimising the Presence in Brussels

On-site in Brussels

All interview partners acknowledge that an office in Brussels is imperative to quickly assess current political developments directly with the EU institutions. To them, this is vitally necessary not only for a targeted lobbying but also for the on-going cooperation with decision-makers in Brussels. The office personnel view themselves as moderators between politics and business; their task is to convey the specific sector expertise to the EU and create an understanding in Brussels and at the member companies of what can reasonably be achieved. This role is emphasised because SMEs typically do not have close bonds with the EU, especially in the E&E and engineering industries.

The presence in Brussels is also considered necessary for networking and co-operating with other interest representatives. It is about sharing information, collaborating in external marketing efforts and creating target group specific “advocacy coalitions“. This includes the European association federations on the sectoral and trade association level as well as national association representatives or public actor representatives (in this case especially the Länder state representations). The good

¹⁷ See Kohler-Koch/Quittkat/ Kurczewska 2013.

staff networking across organizations is seen as a corner stone of the rapid creation of ad hoc alliances. As soon as a new topic arises, the Brussels office must analyse which sectors might also be impacted by possible regulation, whether there are synergies in terms of shared interests and whether cooperation might be possible. These specific and temporary cooperations usually evolve from the task forces and platforms established by the Commission, but the experts involved are not in a position to form such alliances. This is the job of the Brussels representation, firmly anchored within their home institution and also able to rely on a strong professional network through its work. It is worth noting that German associations do not think consultants are an alternative for this task.

Public-Private Partnerships

Modern lobbying should not be considered as a one-way communication in which interest groups use all the tools at their disposal to win over the political decision-makers. Rather, various forms of cooperation have developed, particularly around the Commission, to work on shared positions. Although these cooperations only serve to shape opinion and the committees do not have any decision-making power, their work largely anticipates future policies. A good illustration of the associations' role in this regard is the public-private partnerships in EU research policy.

The EU's industrial research funding has become more attractive since the introduction of the multi-annual research framework programmes and especially through the staggered increase in budget. The budget has increased again with the transition from the 7th research framework programme to the new framework programme "Horizon 2020" (87 billion EUR are planned) and the focus areas have been newly defined. Horizon 2020 combines the former research framework programme, the relevant parts of the research programme for competitiveness and innovation (CIP) and the European Technology Institute (EIT) into one. This puts greater emphasis on (industrial) competitiveness, which is an explicit objective on Horizon 2020's priority list. It is about i) excellent scientific and academic research; ii) industrial leadership roles; iii) social challenges. The principles that the Commission determines the main topics and that requests may be submitted according to calls have been retained. From the beginning, the main criticism was that the calls did not sufficiently correspond to the research interests of companies and that the entire procedure excluded SMEs. The VDMA lobbied strongly on behalf of the engineering sector for the alignment of research support in close cooperation with the Commission, academia and industry. The commitment by the VDMA and its sector trade associations can be explained by the fact that the association as a mainly mid-sized industry offers more extensive services to its members than all other industry associations offer to their members. These lobbying efforts were implemented as public-private partnerships (PPP) created for selected industries. The public is represented by the Commission, while the private side includes both academia (research institutes and universities) and industries (companies). The overall purpose is to develop strategic research objectives and their implementation to support European industrial competitiveness.

However, neither the implementation, the mission of such PPPs nor the active role of associations is particularly remarkable. Only a closer analysis reveals particularities; we can use PPP Robotics 2020 as an example here, launched in 2012 and currently (fall 2013) about to be completed. The aim is to institutionalize the coordination between the Commission on the one hand and business and academia on the other through regular meetings and through a "structured dialogue". The private actors determine the content ("The private side will develop the research, development and

innovation agenda and suggest call topics, priorities, funding profiles”) while the public side is responsible for the implementation (“The public side will be responsible for the implementation of the R, D & I agenda”).¹⁸ The private side is represented by the newly founded organisation euRobotics aisbl whose founding members are companies and two associations: EUnited European Engineering Industries Association – EUnited Robotics and the VDMA – Robotik.¹⁹ The EUnited Robotics is an association founded by the VDMA Robotik and has a large overlap with the VDMA organization, which is headed by the same managing director. The background is that it wants to avoid being identified as a purely German association in Brussels by EU institutions and other associations. The dilemma is that it is hardly possible to achieve a regionally balanced representation in a European business association; given that German companies in the robotics businesses are dominating the European market. Therefore, the VDMA and EUnited Robotics have undertaken efforts to found another European association, euRobotics aisbl. It unites two predecessor institutions, namely the industry-oriented European Robotics Technology Platform (EUROP) and the extensive network of academic institutes EURON, both created with the strong support of the Commission. The Commission’s interest is obvious: It wants a representative partner, which makes the VDMA’s strategic initiatives highly welcome. The initiative in favour of a new association and a public-private partnership with the German robotics community was already presented in June 2012, which shows the driving power of the German association, while a corresponding “Robotics PPP 2020 Info Day“, chaired by the Commission and euRobotics – the organization founded in France – took place in December 2012.²⁰

Support Strategies for Inner-European Imbalances

Imbalances in the Presence of European Associations

A special feature of the German industrial associations is their strong presence in Brussels. All three associations we examined have significantly increased the personnel in their Brussels offices over the past several years. Back in the 1990s, these were one-man offices serving to eavesdrop on the latest developments; now, the VCI employs a total of 5, the ZVEI 6 and the VDMA 15²¹ permanent staff members in Brussels and these figures increase when representatives from specific associations or companies are occasionally added. In addition, six out of the ten largest chemical/pharmaceutical companies have an office of their own in Brussels and the same goes for the large corporations in the two other sectors. The presence of the German associations is noteworthy when compared with other European associations and it has further strengthened over the years. Even the industry associations of the large EU member states (France, Italy, UK, Spain, and Poland) are not represented in Brussels with an office of their own – with one exception. This holds for the engineering industry as well as for the E&E industry; only Italy’s chemical association has an office. It is worth noting that

¹⁸ EUnited Robotics. European Robotics Association, PPP Robotics 2020, Frankfurt 12 June 2012; http://www.eu-nited.net/robotics/upload/pdf/2012-06-12_1.0_Introduction_-_Thilo_Brodtmann_-_PPP_Info_Day_for_Industry.pdf (03.09.2013).

¹⁹ Rainer Bischoff, The Public-Private Partnership (PPP) in Robotics, Berlin, 25 June 2013; <http://cordis.europa.eu/fp7/ict/robotics/docs/robotics-ppp-rss.pdf>.

²⁰ <http://www-list.cea.fr/en/interactive-systems/361-robotics-ppp-2020-infoday-a-true-success> (02.09.2013)

²¹ Approximately half of the 15 staff members work solely for European associations.

according to our survey, significantly less British and French organizations have an office in Brussels today than twelve years ago.²²

According to the representatives of German associations, the weak presence in Brussels negatively affects the communication with associations from other member states. However, experts meet every now and then as committee members with the European association federations as well as the Commission, while the mutual personal networking is the basis of closer bilateral and multilateral contacts. This helps consensus building within the European association and also with coordination via the national route. If one wants to influence the Council's or the European Parliament's positions, the support of other national associations is important because they turn to their respective government and possibly the parliament and national public with the same issue and the same line of arguments.

No matter what sector, all interview partners are convinced that a strong European association and a well-functioning transnational cooperation are necessary for effective influence on policy-making. It is exactly here that problems arise. On the one hand, the European association federations do not live up to the expectations of the German organizations. The European associations were founded initially as associations representing national associations – with few exceptions (automobile industry). The chemical industry's association (CEFIC) later allowed the direct membership of companies so as to give an immediate voice to the industry, while the E&E and the engineering industry association (ORGALIME)²³ has remained an association federation that includes both national umbrella associations as well as European industry associations. CEFIC and particularly ORGALIME suffer from a dilemma well-known to umbrella organizations: The necessity to build a broad consensus which leads to inertia and makes it impossible to timely and effectively represent current sector interests. Efforts to reorganize these structures, undertaken for example by the ZVEI's chairman of the board when he held the same position at ORGALIME (Chairman of the General Assembly & Board of Directors), reveal the structural boundaries of these associations. The biggest hurdle is the associations' internal imbalances. Even though not all of the 28 member states are represented in CEFIC and ORGALIME, expansion has led to the addition of several associations from small states with only a weak industrial base. These associations lack the resources and the experience to contribute to the building of expert opinion within the association or to represent to the external world a line of argument based upon detailed expertise. This weakness, however, is apparent not only in the associations from the small states of the southern and eastern periphery, but also in the associations of the large member states in core Europe. While the situation differs according to industry, it holds for all sectors that the gradual process of de-industrialization over the past decades – worsened by the recent crisis – has significantly weakened the interest representation of associations in France, the UK and also Italy. Traditionally, the work of Great Britain's and Spain's associations has been weak overall. The associations in Belgium, the Netherlands, Austria, Sweden and Switzerland are mentioned as reliable and efficient partners (to varying degrees according to sector and business industry). The cooperation with them is, however, occasionally met with some scepticism from third parties, since they are seen as a "Germanic Alliance". It is interesting to see how the three German industrial associations try to cope with these structural deficiencies.

²² See Kohler-Koch/Quittkat/ Kurczewska 2013.

²³ Including the metal manufacturing industry.

The Europeanization Policy of German Associations

The engineering association VDMA chose a dual strategy towards Europeanization. On the one hand, it opened up potential membership to the whole of Europe through a change in the bylaws (2010). The VDMA is a German association only in name, legally speaking, since “it is possible for companies to become members that are located in the Federal Republic of Germany or in another European country” (VDMA Bylaws §4). Even though the large majority of members come from Germany, this marks a break of principle with the regional restrictions followed by national associations. On the other hand, the VDMA has turned into a strong pillar of the European associations. This is due to the fact that the VDMA has taken over the management of several European trade associations. While the main purpose of the European association is the interest representation in Brussels, the management is typically located in the Brussels office of the VDMA; this also explains why the VDMA office has twice as many staff as the other association offices in this industry. While the purpose of the association largely aims at providing specific services, the management is directed mainly from Frankfurt, where VDMA’s headquarters is located. The managing director and other experts report to the managing boards of the European association but they are on the VDMA payroll. Some are established associations but some owe their existence to the VDMA. The VDMA itself maintains 39 sector-specific associations (information as of 2013) and most have European partners; the VDMA has taken over management for 20 of those. It is worth noting that in some instances, the VDMA is responsible not only for the European association but for the international one, as well. The managing director of the VDMA association Robotic is also in charge of the European association EUnited Robotics and the International Federation of Robotics (IFR) is his department, too. He has a staff of 21 employees that take care of the issues regarding robotics. This figure has to be seen in relation to other national associations, but particularly to European and international associations. In comparison, ORGALIME, the sector-wide European umbrella organization, has a staff of 26 employees (as of 2013).

With this strategy, the VDMA tries to compensate for the weaknesses of interest representation in Europe. The trend towards de-industrialization in the large EU member states, the addition of EU member states that either have an insignificant industrial base or, if they have such a base, a weak tradition in terms of association representation, make the European association federations appear as empty labels. If they strive to live up to the image of representation according mainly to Commission standards and take on associations from as many member states as possible, they face a dilemma: They either consider all members equal and invite inertia and incompetence or they reward the well-performing associations with appointments to committees and the informal decision-making structures, which amounts to exchanging ability for national representation. Another option is to have an efficient management bundle and actively represent the interests of the industry. This strategy is supported by the VDMA’s engagement. The VDMA has an immediate interest in representing the concerns of the engineering industry and has the necessary resources to support a variety of other European associations. The VDMA member companies are apparently willing to back up this strategy because they are convinced by the benefits their membership brings. These benefits are the efficient interest representation in the EU but mainly the provision of extensive services and the important exchange of experiences, in particular for SMEs. Overall, it may be said that the VDMA significantly contributes to enhancing the competitiveness of the companies.

A somewhat different picture arises for the chemical industry. Their interest representation also suffers from the weaknesses of most other national associations, but given the market structures it

faces a totally different situation. With the leading companies the pace setters in the German VCI²⁴, large corporations have also secured a strong voice in the European organization CEFIC. CEFIC has turned from a pure association federation into an association whose members are national chemical associations and companies with production sites in Europe.²⁵ The corporate membership is divided into two groups, namely the corporations with revenues of more than one billion and companies below this threshold. In terms of representation, it should be noted that 20 EU member states (in addition to Switzerland and Turkey) are represented by their national associations, while the group of corporations includes companies from all over the world who have headquarters in only a few EU countries (among them six of the German market leaders). The list of those companies with less than one billion in revenues is ten times longer and is nationally more balanced but still reflects the significant imbalances in the European chemical industry. The difference between the two companies' size is manifested in the varying influence within the association: The corporate members all have one vote in the general assembly, like the national associations, and can use this to vote on all the association's activities. The other member companies elect 20 representatives from within their ranks to represent them in the general assembly; participation in further activities is determined by the board. In other words, the principle of national-political representation is superseded by the principle of representation in terms of economic significance; accordingly, corporations weigh in more heavily than the associations. The special weight of the companies is also due to their contributions to the CEFIC budget, which are larger than those of the associations. Therefore, the associations try to improve their visibility by contributing to content.

The German chemical industry also makes efforts to strengthen its interest representation in Europe. However, attempts at closer cooperation with other national associations are met with difficulties comparable to those in the engineering sector. The majority of the 28 EU member states do not have a significant chemical industry and de-industrialization has left deep marks in the chemical industry of former production countries. Thus, the loss of influence by the French chemical industry has further weakened the French²⁶ and the same holds for the UK. The French chemical association is represented in Brussels by only one person and it counts this as a clear disadvantage in comparison with the representation of the VCI (Drees 2012). The Italian chemical association is also present in Brussels and is similar to German associations in terms of its activities. For the most part it represents the many small companies and is not comparable to the VCI in terms of resources. Regarding the associations of smaller member states, there is a marked contrast between the well-established and efficient associations of the Netherlands²⁷, Belgium and the Scandinavian countries and the weak to wholly absent representation of the new member states. While Poland and the Czech Republic have a relatively strong chemical industry and there is a Polish association in Brussels, they show a low degree of initiative and are not really considered partners for transnational alliances. Different attempts at support, such as mentoring schemes for smaller associations and the organization of joint parliamentary evenings have not led to a more intensive communication or even collaboration.

²⁴ According to the VCI bylaws, there are companies as full members and associations of the individual branches of chemical industry as corporate members; only companies receive voting rights, based on either their full membership or their organizational membership.

²⁵ According to the bylaws of 2006.

²⁶ The national organization is funded by the regional associations.

²⁷ The smooth cooperation with the Dutch association is emphasised. It is enhanced by the fact that the Netherlands is home to several world market leaders and that there is a strong tradition of associations. However, the joint presence is sometimes seen as too dominant.

In addition to the VCI, represented by its Brussels office, German companies also undertake efforts to strengthen European association structures and to Europeanize national associations, particularly in the new member states. A corporation like BASF that runs production sites in various EU member states is a member of the respective national associations. This membership is used to foster networking among national associations. One of the initiatives is the implementation of European advocacy circles that meet – according to sectors – three to four times a year in Brussels to discuss common issues. The immediate purpose is to be informed as early as possible about EU policy initiatives and to coordinate a shared approach in terms of the national policies. The hesitant reaction by national associations has turned into a willingness to actively cooperate because experience has shown an increase in know-how and turned into an upgrade of the national association influence at home. The objective is a stronger, long-term transnational network.

Whether or not this network idea survives and triggers a reorganisation of European associations cannot yet be determined. However, the concept of a network has already been realised, albeit in a different form, in the newly founded association PlasticsEurope. The association's objective is a comprehensive representation of the European plastics industry and tries to circumvent the lack of resources and expertise in countries with a weak industry and association base with an exceptional management structure. The national associations are assigned to five regions and are organised from a regional hub. PlasticsEurope Germany, for example, is in charge of the central region comprising ten countries in Central and Eastern Europe.²⁸

Rise of a New Type of Organisation

European integration has attracted economic interest groups right from the start. The industry's umbrella organisations and the associations of the coal and steel industry were the first to jump on the band wagon and further industry and sector associations followed with the expansion of the European market, so that the entire range of business sectors is now represented in Brussels. Up until the most recent past, the predominant type was the association made up of national member associations, but since the 1990s, newly founded associations increasingly assume the shape of mixed or pure business associations. It is noteworthy that the newly founded associations and restructured existing associations support this new development. This is true for the engineering industry as well as the E&E industry and the chemical industry. EUnited aisbl, the European Engineering Industries Association which includes the fittings, metallurgy, municipal equipment, robotics and detergent sectors, was founded on an initiative by the VDMA associations. These are pure business associations with a small membership base²⁹ and a significant majority of German companies, which might be due to the fact that the association was founded only in 2004 (EUnited Robotics at the end of 2012). Another association that grew out of the VDMA is EUROMOT, the European Association of Internal Combustion Engine Manufacturers, which has since become

²⁸ Further regions are (hubs in parentheses): the Iberian Peninsula (Spain), the Mediterranean (Italy), North (UK), West (France); <http://www.plasticseurope.org> (15/09/2013).

²⁹ For example: Fittings 9: <http://www.eu-nited.net/valves/index.php?idcat=161&lang=7>; Metallurgy 25: <http://www.eu-nited.net/metallurgy/index.php?idcat=37>; detergents 15: <http://www.eu-nited.net/cleaning/index.php?idcat=20> and 6, respectively: http://www.eu-nited.net/vehicle_cleaning/index.php?idcat=218; Municipal Equipment 42: <http://www.eu-nited.net/municipalequipment/index.php?idcat=55> and Robotics 9: <http://eunited.h1398558.stratoserver.net/robotics/index.php?idcat=74>;

independent, also in financial terms. EUROMOT is de facto a pure business association because the four member associations (FIM; UNAMOT, OHEEG, VDMA) only have observer status and no board voting rights. This constellation is intended to secure the direct influence of the companies in the decision-making of the associations. Founded in 1991, the membership base has increased from ten to 41 companies in 2013 and the association represents leading engine manufacturers from different European countries, including Russia, as well as from Japan and the USA. Its scope of action is very limited; its focus is on developing strategies and positions vis-à-vis the European and international exhaust gas emission legislation on combustion engines. The selection of addressees is just as broad as the product portfolio, which ranges from lawnmowers to tankers; important contacts are the EU, UNECE in Geneva (United Nations Economic Commission for Europe), the IMO in London (International Maritime Organization) and the Central Commission for the Navigation of the Rhine. EUROMOT not only acts as a representative to these international organizations but is also present in the USA, China, Japan and India to take a position towards the local regulatory authorities.

According to EUROMOT, the future belongs to this type of association: Aimed at specific topics, with a direct company membership base that is globally active and expects the association to take a stand worldwide so as to achieve a harmony in regulatory standards.

Conclusion

Stronger efforts in restructuring associations have recently been observed, while the changes and the newly founded bodies have intertwined on the national and European (and to a certain extent on the international) levels. Although the research has been limited thus far to German industry associations and is expectedly skewed in terms of methodology, the impression is that German associations are the driving force.

The organisational changes have to be understood as strategies towards overcoming the structural weaknesses of the industrial interest representation in the EU. Due to de-industrialization, the economic crisis, and the underdevelopment of the association environment in several member states, German industry associations face a lack of partners, particularly from the large member states. The good cooperation (according to sector) with the Netherlands, Austria and also Sweden is not met with any less scepticism (“always the Germanic axis”) than the presence of the German associations. The Eastern European countries are not very active in terms of associations, despite their high degree of industrialisation, and the small countries along the Southern periphery neither have a significant industry base nor effective associations.

The sectors presented here pursue their own association strategy towards Europeanization. The strategy of the chemical industry is strongly company-driven, that of the E&E industry favours organizational restructuring and the engineering industry allows the European associations to share the power of the VDMA and offers companies in other EU member states direct membership.

Overall, a changing type of association is observed at EU level, namely one that moves away from the large associations and European association federations towards mixed associations and pure company business associations. In terms of numbers, the associations with an association membership base prevail on the European level, but umbrella organizations (such as CEFIC) have long allowed companies to become direct members and these play a leading role in policy-making. In

the dynamic economic sectors, the mixed associations with a direct corporate membership base are predominant and newly founded associations often rely solely on companies.

Associations with a smaller number of participants are increasing. Using the national allocation (headquarters of the company) as measure, they represent only a small fraction of countries. Given the European and global orientation of the large companies in particular, such a perspective is certainly misleading. Some of the newly founded associations, however, are clearly marked by their creation; the membership of European associations founded by German associations relies (at least in the beginning) mostly on German companies with German production sites (EUnited Robotics). One might see this as a targeted association strategy that aims at unilateral representation of German interests only but economic data confirms that we are confronted with German industrial predominance in the sectors concerned (compare e.g. the European market shares in the robotics sector).

Another trend is the close focus on the association work, given the simultaneous internationalisation of the membership base and the political addressees. EUROMOT can be used as an example: The small core group of companies has increased over the years but the number of members is still relatively small. The participating companies operate globally and the association also acts on a global scale, but the focus is on a niche topic. Proposals by the association's management to broaden the range of topics have constantly been rejected by member companies. The same pattern, namely concentration on niche topics and a limited number of participating companies, has been observed in the most recently founded associations that are active on a purely national level. Another interesting phenomenon is the trend towards organisational structure as a cluster and including other social actors wherever possible. This reflects the attempt to link specific industry interests with broader social issues so as to finally be heard in the general politicisation of economic decisions.

The examination of further sectors and particularly the comparative analysis of other countries will hopefully provide a more solid basis on which to assess the sustainability of the outlined trends.

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