

US LOBBYING AND INFLUENCE ON THE INTERNAL MARKET

Prepared for presentation to the biannual conference of the European Community Studies Association as part of a panel on

US-EU Trade Relations and Negotiations

11-14 May 1995
Charleston, South Carolina

John Peterson
Department of Politics
University of Glasgow
Adam Smith Building
Glasgow G12 8RT
Scotland

Maria Green Cowles
Department of Political Science
University of North Carolina
Charlotte, NC 28213
USA

Youri Devuyt
Department of Politics
Vrije Universiteit Brussels
192 Avenue A. Huysmans
B-1050 Brussels
Belgium

The authors wish to thank numerous individuals who kindly agreed to non-attributable interviews. John Peterson is grateful to Christine Matthews and Clare McManus for their invaluable research assistance.

DRAFT PAPER: PLEASE DO NOT CITE OR REPRODUCE

INTRODUCTION

The first two and a half years of Bill Clinton's Presidency have yielded abundant evidence to suggest that it is more committed to commercial diplomacy than any US administration in history. In 1993, Clinton played an active and personal role in securing a \$6 billion aircraft contract for Boeing and McDonnell-Douglas. Reportedly, the deal with Saudi Arabia was sealed in personal talks between Clinton and King Fahd. Meanwhile, Clinton's Secretary of State, Warren Christopher, ordered US ambassadors to make promotion of US exports a top priority (MacManus 1995).

The Commerce Department took the lead in the administration's strategy to promote US exports. Headed by the former the Democratic Party chairman, Ron Brown, Commerce was transformed from a sleepy backwater into a thrusting focal point for what became known as 'high intensity advocacy'. By 1995, Commerce was spending about \$150 million per year to promote US exports, mostly via trade missions and shows, credit guarantees to exporters and loan subsidies to clients of US goods abroad. Brown personally chaperoned American CEOs on a range of trade missions, particularly to newly-industrialised countries. Brown's number two, Hazel O'Leary, was dispatched to China in February 1995 to seek huge energy contracts for US suppliers even as the United States Trade Representative (USTR) threatened the Chinese with sanctions in a bilateral row over intellectual property rights. The intellectual foundations for the 'high intensity advocacy' strategy were laid by Jeffrey Garten, a former academic with extensive private sector experience. As Undersecretary of State for International

Commerce, Garten established himself as a 'player' in the Clinton administration. Under his direction, Commerce created a 'war room' where inter-agency groups monitored and often intervened as US producers sought foreign deals. For example, the Clinton administration showed itself far more willing than its predecessors to offer subsidised loans to foreign 'shoppers' to match competing offers from other governments.

After the Democrats were pummeled in the 1994 US mid-term election, the new Republican majorities in Congress targeted export promotion funds for cuts as part of their wider and somewhat frenzied effort to 'reduce government'. Garten led a counter-offensive. His claims that the federal government had a hand in \$46 billion worth of foreign deals that helped create or save 300,000 jobs in 1994 were difficult to confirm or deny. Regardless, the administration's defence of export promotion contrasted sharply with its relatively weak response to the attack of Congressional Republicans, such as Jesse Helms and Mitch McConnell, on US foreign aid policy.

Commercial diplomacy is viewed widely within the administration as a 'wedge' issue. The Contract with America - upon which House Republicans campaigned in 1994 - did not contain a single word about trade or foreign direct investment (FDI). Arguably, an equivalent political platform in 1954 would have contained no mention of the Cold War or communism (Judis and Lind 1995). The 'poll-driven' nature of the contract suggests that few voters cared very much about trade per se. However, Garten and others in the Clinton administration clearly believed that 'the party that conducts the debate on the government's role in trade and the economy with the most authority and persuasiveness will gain a commanding head start for the 1996 electoral shootout' (Hoaglund 1995).

The European Union (EU) has not been untouched by 'high intensity advocacy'. In September 1994, Garten announced a new 'Europe-wide commercial strategy', aimed at increasing trade with both western and eastern Europe. In spring 1995, he led a trade mission to Europe which targeted \$4 billion in contracts identified by Commerce's 'advocacy centre' as ripe for picking. An intense campaign to try to help US firms win power generation contracts in Germany appeared at odds with the assessment that 'Clinton seems to have pulled back on such foreign salesmanship' (Hoaglund 1995).

US public sector lobbying of the EU and its Member States appears to be more strenuous under the Clinton administration compared with previous administrations. Yet, a senior European commission official in the 'external dimension' unit of Directorate-General XV (Single Market and Financial Services), with abundant experience of US-EU relations, insists that:

US influence on the internal market is no more or less under the Clinton administration.

Administrations defend US interests whether they are Democratic or Republican. It's like part of their backbone: 'open your markets'. Clinton's people may try harder, but actual US influence is indistinguishable from the Bush years (interview, October 1994).

If this picture of continuity more than change is an accurate one, it suggests a puzzle: however much it has boosted the fortunes of US exporters and investors generally, the Clinton administration's 'high intensity advocacy' has not enhanced US influence over the making of rules which govern the world's largest market, and the single most important market for the largest number of US exporters and investors.

This paper seeks to solve the puzzle. Our central argument is the US influence over the internal market is considerable, but that it is primarily a product of private lobbying through channels which were well-established before Clinton's election. The effectiveness of the 'American lobby' in Brussels stems mostly from its unity, discretion and admirable organisation.

More specifically, we argue that the EC Committee of the American Chamber of Commerce (known as 'AmCham') is the straw that stirs the drink. It is recognised as the legitimate voice of US multinational enterprises (MNEs) in Europe and one of the most influential lobbying organisations in Brussels. An important key to the EC Committee's success is its ability to generate very high quality information, both for its members and the outside world. Information is a primary source of power in EU decision-making generally, and in sectoral EU policy networks more specifically (Peterson 1995a).

Our analysis proceeds in four sections. First, we sketch the emergence of the EC Committee as a force on the 'Brussels circuit'. Second, we examine its role in the wider American response to the launch of the 1992 project. Third, the sources of American power in EU decision-making are identified. Fourth, we analyse recent calls for the creation of a 'North Atlantic Economic Space' and the role of the American MNEs in their design.

1) THE DEVELOPMENT OF THE EC COMMITTEE: 1977-92

The organisation of US business influence in Europe ranges wider than the EC Committee or Brussels. What goes under the name 'American Chamber of Commerce' is actually a global network overseen by the US Council for International Business in New York. One of the Council's units - the United States Industry Coordinating Group on European Community Affairs (USICG) - is itself an amalgam of the National Association of Manufacturers (NAM), the National Foreign Trade Council (NFTC), the US Chamber of Commerce, and the Brussels-based EC Committee. The USICG is an 'informal and loose confederation' (Jacek 1995: 341). Information on the EU is distributed throughout the network of which it is a part through its EC Update newsletter. However, each of its constituent organisations have their own links to the EU and its institutions.

Of these organisations, the EC Committee has the most developed and effective links by far. Since the late 1970s, it has been the institutional focal point for American influence on EU policy-making. As one of us has argued previously (Green Cowles 1994), its gradual vitalisation was a product of American MNE's lack of a national 'patron', alarm over the unhewn lobbying tactics used by other US business groups in Europe, and widespread frustration with main employers' 'Eurogroup': UNICE (the Union des Industries de la Communauté Européenne).

The Belgian office of AmCham was opened in 1948. From the time of the formation of the European Economic Community in the late 1950s, many American MNEs created European subsidiaries to ensure they could produce and 'export' from within the new customs union. Advantageous Belgian tax laws (more than the perceived importance of the Community) encouraged a large number of US companies to establish subsidiaries or European headquarters in Brussels.

Over time, AmCham in Brussels became a 'listening post' for US firms keen to be kept aware of the Community's legislative agenda. Yet, by the early 1970s, widespread concerns about the imperialist European ambitions of US MNEs - stoked by the publication of Servan-Schrieber's (1967) *Le Défi Américain* - led Belgian AmCham to refocus on 'image restoration'. Meanwhile, the Community's legislative process ground almost to a standstill. Following the first oil shock of 1973, its Member States found little about which they could agree in a climate of severe economic recession.

By the late 1970s, however, Belgian AmCham had rediscovered the EC. A series of court cases which challenged the market dominance of American MNEs (i.e. Continental Can, United Brands) and the arrival of the ambitious Etienne Davignon as Industry Commissioner were catalytic in the setting up of a new EEC Committee by AmCham in 1977 (Green Cowles 1994: 282). Unlike previous AmCham groups concerned with Community affairs, it included only representatives of private firms. The EEC Committee quickly established a reputation for supplying high-quality, technical information to legislators in the tradition of American lobbyists, while still lobbying 'European-style', or discreetly and informally (Jacek 1995: 344). In the view of Robinson (1983: 204), 'by the late 1970s, this Committee had arguably become among the most influential of business bodies on EEC policy toward multinationals'.

A turning point in the evolution of the EEC Committee came in 1980, when the Commission proposed the notorious Vredeling directive. Named after the Dutch Commissioner for Social Affairs, the proposal was designed to enhance the rights of MNE employees to information and consultation concerning their firms' plans for investment, divestment, diversification, etc. The alarm of American MNEs in response to the proposal stemmed not only from its fit with the Commission's wider agenda to promote EC-level collective bargaining, but above all from its extra-territoriality. In its original form, the proposal required disclosure of company information held at MNE headquarters even if they were located outside Europe (i.e. in America).

For many European firms, the Vredeling proposal contained nothing new or controversial. Dutch and German firms had coped for years with similar national legislation. In contrast, most American firms found the proposal to be alien and entirely unacceptable. Some viewed the proposal as 'a means for the European Commission, in support of European firms, to obtain American companies' trade secrets' (Green Cowles 1994: 288).

The EEC Committee of AmCham sought to take the lead in the US lobbying effort against the Vredeling directive. However, the extra-territorial provisions of the directive enervated a coterie of US firms with no Brussels-based representative nor much experience of Community affairs. Many took

matters into their own hands. Mobilising within their own US-based trade associations, such as the NAM and NFTC, as well as the US Congress, such firms launched an aggressive campaign to kill the proposal. One Brussels-based American lobbyist described it as 'vicious'. Vredeling himself termed it 'demagogic' (quoted in Green Cowles 1994: 290).

For members of the EEC Committee in Brussels, the campaign was a public relations disaster. Most calculated that the directive had little chance of unanimous approval by the Council of Ministers anyway. The overkill of the American anti-Vredeling campaign bred ill will against US companies generally within the Commission and other Community institutions. Stories of plane-loads of American lawyers descending on Brussels and the ruthless lobbying tactics of the 'men from Mars' (the US confectionery company) have since passed into Brussels folklore. At the time, however, they threatened to undo the work of Belgian AmCham and rekindle Servan-Schreiber-esque disdain for US MNEs.

Above all, the Vredeling directive highlighted the very different styles of lobbying that are effective or even acceptable in Brussels and Washington (see Grant 1993). It also had the effect of uniting the EEC Committee under the banner of 'European companies of American parentage', and thus distancing themselves from the graceless tactics of their US-based brethren. Finally, it woke up its members to the generally ambitious agenda of the Commission, including in areas beyond social policy, such as environmental protection and labelling. A representative of one US-owned MNE estimated that just one environmental proposal of the early 1980s, if approved and implemented, would have cost his firm \$15 million (Green Cowles 1994: 292-3).

The high stakes of proposed EC legislation brought many American firms to terms with their lack of a national 'patron' to uphold their interests. Some joined national industry associations to try to highlight their 'citizenship', but found their influence within them to be minuscule compared to that of 'national champions'. Most US MNEs concluded that they would have the most influence by lobbying at the supranational level. Logically, many realised that it was in their best interests to promote supranational action because their influence over national action was comparatively weak.

At the Community level, American MNEs found the Commission and European Parliament (EP) to be generally predisposed to trans-European business associations. Yet, many national business associations guarded their 'sovereignty' and independence quite fiercely. Most Euro-groups thus remained weak and incapable of much collective action (see McLaughlin and Jordan 1993). In particular, UNICE remained under-funded and largely ineffective.

These factors led the EEC Committee to reorganise, rename (the 'EC' Committee) and essentially relaunch itself between 1981-3 (Green Cowles 1994: 298-300). A series of subcommittees were created, with most covering specific policy sectors (see table 1, below). It was determined that the EC Committee would be limited to 30 members, but that additional firms would be able to join the subcommittees. By 1983, a total of 70 firms participated in the EC Committee in one way or another, or close to 40 percent of AmCham's total membership.

EC COMMITTEE SUBCOMMITTEES & CHAIRS - 1982

Committee Chair

Institutional Relations Guy Beylief, Unisys

Company Law Harmonisation D Douglas, Pfizer

Financial Institutions

Banking M van den Bergh, Morgan Guarantee Trust

Insurance W De Winter, American International Underwriters SA

Industrial Policy G Anderson, United Technologies

Social Affairs Peter Danos, 3M

Competition Policy J Russotto, Oppenheimer (law firm)

Consumer, Affairs, Environment.

Health & Safety T McCarthy, Proctor & Gamble

source: Green Cowles 1994:300

A crucial decision was taken in 1983 to develop a database on Community legislation. At the time, relatively few consultants in Brussels offered legislative 'tracking' services. The EC Committee's database was the first of its kind. It allowed members to know the precise status of items or proposals in the Commission's 'pipeline'.

The database also gave the EC Committee an excuse to seek funds from its members, particularly to pay for the creation of a secretariat. The secretariat was justified on two grounds. First, it would help make the EC Committee more independent of AmCham, which was desirable given that 45 percent of Belgian AmCham's members were non-American firms. Second, the secretariat could facilitate more coordinated, effective lobbying efforts by the EC Committee's members. An EC Affairs office thus was created as a special division of AmCham in 1985 to look after the database and produce a weekly newsletter on Community developments.

Over time, the EC Committee developed 'a level of access to EU institutions equal to that of UNICE' (Green Cowles 1994: 307). One advantage enjoyed by the EC Committee was that its members were used to thinking and acting in pan-European terms, unlike many firms within UNICE, which endeared the EC Committee to representatives of EU institutions. Meanwhile, American firms found it easy to interact directly with EU institutions - particularly the Commission - without needing to please any national government or constituency.

At times, the EC Committee's publications almost seemed to flaunt its enviable access:

One characteristic of this entire process is its openness. There are many opportunities for formal and informal consultation at all stages of drafting and subsequent review (EC Committee 1991: iii).

2) AMERICAN INFLUENCE & EC-92

Lord Cockfield himself dates the origins of the 1992 project to a conversation he had in 1982 - when he was Industry Minister in the Thatcher government - with the US Secretary of Commerce, Malcolm Baldrige. Both the Reagan and Thatcher governments were committed to deregulation generally and the idea of an international effort to liberalise the service sector more specifically. For both the US and UK, liberalisation of services stood to benefit their world-class financial sectors. Cockfield apparently prepared much of the Commission's White Paper which launched the 1992 project while he was at the UK Department of Trade and Industry, thus explaining its short gestation period within the Commission before its release in 1985. More generally, according to Brewin (1994: 2), the 1992 project would not ever have existed 'without the two separate external pressures of Asian competition in manufactures and an American campaign against protectionist barriers in services'.

Yet, the external dimension of the 1992 project was intentionally downplayed by the Commission. Its rationale was that EU Member States might turn against the project if they realised that the primary beneficiaries were likely to be Japanese and American MNEs in many industries. Numerous Commission statements which defended the right of the EU to get on with the 1992 project without paying much heed to its external impact provoked both private and public anxieties in America (see Peterson 1993: 13-15).

American angst in 1988 was reflected by headlines in the business and quality press such as 'The Growing Fears of Fortress Europe' and 'Laying the Foundations for a Great Wall of Europe' (see Devuyst 1994: 318). Meanwhile, the Reagan administration unleashed 'an unprecedented and obviously orchestrated series of critical, threatening comments...about the EC's proposal to remove all trade barriers by 1992' (Stokes 1988: 2729). An extraordinary statement in May 1989 by US Senator Max Baucus, Chair of the Finance Subcommittee on International Trade and architect of a special Senate Task Force on the 1992 project, gives a flavour for the uneasiness which permeated Washington:

When I was in Brussels, I had the impression that...we are somewhat outgunned...It just overwhelmed me, frankly, that there are 10,000, or I do not know how many thousands, of employees working for the Commission in Brussels. As you know, there is this gigantic, big black building with all these wings on it and all these people running around Brussels. There are so many people there it is like an anthill...It was my impression that our Mission over there is outgunned and frankly, did not know what is really going on...I suspect that a lot of directives are going to come out near the end, a big flurry, and

we'll say 'Oh my gosh, where were we? Why did we not know that this was going on, that this was going to be in a directive?' (quoted in Devuyt 1994: 332).

In fact, the Reagan administration had an elaborate EC-92 monitoring system in place by early 1988. Moreover, by the time that the Bush administration had taken over in early 1989, the actual effects of the Single Market programme were starting to become clear. In the event, the effects were overwhelmingly positive for a majority of US MNEs. European growth rose sharply as EU firms began to modernise in anticipation of stiffer competition. US firms in capital goods sectors saw their European sales shoot up, with help from a depreciated dollar. US exports rose 25 percent from 1987-8 and the US trade deficit with the EU was halved (Devuyt 1994: 322). In late 1988, the Commission finally made a clear commitment to the idea that 'the 1992 Europe will not be a fortress Europe but a partnership Europe' which did not discriminate against third countries (Commission 1988: 1). Less than a year later - to quote a senior Bush administration figure - 'all hell broke loose in Eastern and Central Europe' (interview, September 1992). The EU appeared as a geopolitical 'island of stability' as Eastern communist regimes fell one after another beginning in late 1989. An initiative to upgrade US political links to the EU was met with usual European skepticism and disunity (see Jobert 1990). Eventually, however, it yielded the Transatlantic Declaration, which significantly expanded and institutionalised bilateral exchanges (Peterson 1993: a9-56).

The broader point is that by 1989, the US perception that the 1992 project would produce a 'Fortress Europe' had dissipated. Not only had the Commission made the external dimension much clearer, but the US had beefed up its official presence in Brussels. Under pressure from Congress, staffing levels at the US Mission in Brussels were increased, particularly to bring on board 3 new officers from the Commerce Department. The Bush administration appointed a heavyweight - Thomas Niles, the US Ambassador to Canada - to head the US Mission. Back in Washington, the Commerce Department developed an advisory service on EC-92 of which as many as 10,000 US firms took advantage (Devuyt 1994: 337-9).

Yet, there is much to suggest that American MNEs as a group sought to retain their own independent 'voice' on matters related to the internal market through the EC Committee of AmCham. For example, the EC Committee clearly sought to distance itself from Bush administration attacks on the EU in 1992. At this point, US public and private interests diverged in important respects. The administration's primary concern was to secure EU concessions - especially on agricultural trade - in the context of the Uruguay Round of the GATT (see Devuyt 1995). Speaking for the EC Committee, one of its senior members recalled that, 'With a few exceptions, none of us cared about agriculture very much. We just wanted to maintain our access to the Single Market, to get some form of deal on the GATT, and above all to avoid new trade wars' (interview, October 1994).

The 1985 reorganisation of the EC Committee predated by 6 months the publication of the Commission's White Paper on the Single Market. However, by 1987 the EC Committee had developed a strategic plan to identify how it would adapt itself to address the creation of the internal market. UNICE did not undertake a similar exercise until 1989.

The key element of the EC Committee's strategy was to become the primary source of reliable information on single market legislation. Towards this end, it published a concise progress report in 1988 on the 282 directives contained in the Commission's White Paper, entitled Countdown 1992. Subsequently, the publication was updated 3-4 times a year. It became a bible on the Brussels circuit, even within the Commission itself, which neglected to publish any comparable report of its own (Brewin 1994: 18).

The combined effect of the EC Committee's restructuring and the Bush administration's careful scrutiny of the EC-92 was illustrated as the Commission sought to create a single EU license for banking in early 1988. The so-called 'second banking directive' was one of the first truly important Single Market directives. It was the first to be submitted to a qualified majority vote on the Council of Ministers. The directive also gave early clues about what sort of 'passport' would be given to foreign companies in the internal market and, more generally, how open or protectionist the EU was going to be after 1992.

As originally proposed, the directive proposed to apply a 'mirror image' reciprocity test to determine what sort of access to the Single Market should be granted to banks from third countries. The American reaction was nothing short of panic. American banks already held 5 percent of total EU banking assets and many anticipated large increases in market share from the freeing of the Single

Market. However, a variety of legal instruments in the US - particularly the Glass-Steagal Act - restricted the operational freedom and geographical scope of all banks in America. 'Mirror image' reciprocity in the EU would mean severe new restrictions on the activities of US banks in Europe. The Bush administration responded quickly to the draft directive by orchestrating a lobbying campaign with contributions from the Treasury Department, members of Congress and US bankers associations. The input of the Treasury was particularly important since the US Mission in Brussels lacked a Treasury attaché: by tradition, they were dispatched only to foreign capitals with central banks. Niles arrived as US Ambassador to the EU just as the debate on the directive reached an end game. He nurtured alliances with the UK and Luxembourg, which feared that the directive would threaten the positions of London and Luxembourg as magnets for international finance. In the event, the directive was revised to embrace 'national treatment' as the primary test for determining foreign bank access to the internal market (Devuyst 1994: 360-3). Put simply, the EU switched from saying 'we'll treat your banks as you treat our banks' to 'we'll treat your banks as our banks if you treat our banks as your banks' (see Peterson 1993: 50-1).

In the words of a leading trade economist, the banking directive provided 'a concrete illustration of the usefulness of protesting early and vigorously any indication of discriminatory intent as the EC moves towards 1992' (Zupnick 1991: 41). It also motivated the EC Committee to mobilise perhaps more energetically than it ever had on any single issue. Recalling the 'planeloads of lawyers' arriving from the US to lobby on Vredeling Directive, it insisted that its subcommittees on financial institutions be considered the chef de files of the US lobbying effort. The eventual Chair of the EC Committee, Julian Oliver of American Express, led the coalition of banks and other financial institutions which fought against the original reciprocity clause. Oliver later acknowledged 'lots of support from the Bush administration, particularly from Niles', but also contended that:

We were very active but also lucky. It helped a lot that Leon Brittan was given the financial services portfolio in early 1989...But more generally, the directive showed that the central theme of EC-92 was not going to be less power to Brussels, but more power to Brussels. The increased legislative role of the EU wasn't really clear to us before that. For a lot of US firms, it became clear that existing government affairs networks were inadequate. They couldn't cope with the flow and breadth and depth of information (interviews, March and October 1994).

One upshot was that companies stopped sending 'generalists' to EC Committee working groups. The banking directive illustrated clearly how the demands of the Single Market programme required firms to retain specialists in taxation, telecommunications, competition law, etc. (see Green Cowles 1994: 319). The directive also forged stronger links between the EC Committee and the US Mission to the EU (see Green Cowles 1994: 310-2). Eventually, by 1990, a representative of the US Mission began serving as an ex-officio member of each sub-committee of the EC committee. Thus, the consolidation of public and private US influence on EU policy-making was sought and largely achieved before Clinton was elected in 1992.

The high stakes of the banking directive campaign, and the important role of the EC Committee in its success, led to a vastly increased demand for membership on the EC Committee. Its company membership mushroomed from 59 in 1988 to 105 in 1989. By the early 1990s, the EC Committee had 18 active subcommittees served by a 14-member secretariat and more than 55 different issue-based working groups (Brewin 1994: 18; Green Cowles 1994: 319-21).

3) AMERICAN POWER IN BRUSSELS

The power of the American 'lobby' in Brussels is a reflection, above all, of the very important stake that American MNEs as a group have in the EU. Three-quarters of the largest US companies are active in Europe, either through trading links or FDI. More than one-quarter of total US exports go to Europe. The EU receives more than 40 percent of all American FDI (see Harrison 1995).

However, being active in Europe does not by itself make US businesses powerful in Brussels. American MNEs have been able to influence the creation of the single market primarily because they have had a well-organised and resourced lobbying organisation in the EC Committee. Perhaps the clearest illustration of its influence is the Commission's embrace of telecommunications liberalisation, which stands to benefit American MNEs in the sector perhaps more than anyone else.

We suggest that the influence of the EC Committee flows primarily from six sources. First, the EC Committee is large and inclusive of the most powerful American firms, but still very efficient. Formed by 40 companies in 1985, its membership has grown to more than 140. It includes 9 of the top 10 and 45 of the top 100 US industrial corporations (see appendix I; Green Cowles 1994: 319-21). Its secretariat, or 'EC Affairs Office', now has twice as many staff as its 'parent' Belgian chamber. Most staff members are young - in their 30s. One senior EC Committee member calls it a 'highly effective, little buzzy office' (interview, October 1994).

A second source of US influence in Brussels is the clear, unadulterated identity of the EC Committee. Its success has led firms with only the most tenuous or tangential American personalities - as well as trade associations and lobbying or legal firms - to seek membership. By 1993, the Committee had no choice but to institute new rules limiting its membership to only 'companies, partnerships and other corporate entities which are controlled directly or indirectly by nationals or residents of the United States'. Trade associations were prohibited as were other 'representative groups', with exceptions made for some law firms or consultants which were founding members of the EC Committee, as long as such organisations did not exceed 25 percent of the Committee's total membership (Green Cowles 1994: 321).

Thus, the EC Committee retains an ideological cohesion which facilitates collective action. A senior EC Committee member noted an:

'AmCham mono-culture', which flows from the more general US corporate culture that binds us together. It helps us to build higher levels of consensus than other organisations in Brussels can do. But remember that we also speak for a wide range of interests: not just producers, suppliers, or users. Sometimes, that means that we produce 'lowest common denominator' papers. But we have relatively few philosophical discussions. We all agree on open markets and free trade (interview, October 1994).

In fact, more ideological cohesion appears to exist between US firms in Europe than between US firms and the Clinton administration. For example, the administration took a generally positive view of the 1994 'Works Council' directive - the much-weakened heir to the Vredeling proposal - while the EC Committee generally opposed it. As most of the EC Committee's members are more FDI than export-oriented, many of its members admit that they are either agnostic or opposed to the Clinton's export promotion strategy (interviews, October 1994).

A point on which nearly all EC Committee members do agree is that the EU's existence and EU-level action benefit most American MNEs. A commitment to the basic goals of the Union endears American MNEs to the Commission and EP, and helps facilitate contacts between them. The line-up of Commission officials which attend conferences organised by the EC Committee are usually top-notch (see appendix II).

The third (and probably most important) source of the American lobby's power is the quality of information which it compiles and produces. Commission officials often acknowledge making direct use of information supplied in EC Committee white papers (see Brewin 1994; Jacek 1995). As much as 15 percent of the work of the EC Committee is based on requests for information from the Commission or Parliament (Green Cowles 1994: 315).

The EC Committee produces about 40 position papers a year, which are usually of the highest quality. Demand for these and other EC Committee publications has been met with a 'subscriber service' which costs about \$3000 per year (Green Cowles 1994: 322). The EC Committee generates about \$300,000 per year from the service, which helps it keep its membership fees relatively low: about \$10,000 per year.

Moreover, members of the EC Committee appear to share information - and cooperate more generally - far more readily than is normally the case with American firms (see Wilson 1990). One consequence is that little appears to arise on the EU agenda which catches the EC Committee by surprise. In the view of Mazey and Richardson (1993: 7), the EC Committee 'has developed a complex and expert structure of specialist committees which represent an unrivaled network of advance intelligence within the EC'.

Information does not automatically translate into power: it must be managed carefully. In this context, the EC Committee is committed to 'issue management': the early identification of an impending EU proposal, the making of contacts with the appropriate officials and the writing of timely position papers.

The EC Committee was amongst the first organisations in Brussels to complete and explicit alternatives to proposed legislation. It often develops 'ready-made' amendments to Commission proposals which can be picked up and 'run with' by the European Parliament (EP) (see Green Cowles 1994: 314).

A fourth source of EC Committee influence is its company-driven nature. As it is composed of firms, not associations of firms, it has no need to work through 'the many layers of federations found in UNICE' (Green Cowles 1994: 315). The EC Committee provides a 'home' for American MNEs who could never hope to achieve the status of domestic firms in national associations in EU Member States. However, its members also have begun to penetrate EU-level business groups. A good example is the European chemical association, CEFIC, which now includes US firms such as Dow, DuPont, Exxon Chemical and others (Green Cowles 1994: 318). Another is the Association of European Automobile Constructors, in which American automobile manufacturers, such as Ford and General Motors, are extremely active (McLaughlin and Jordan 1993: 146). These firms provide the EC Committee with a 'window' into the activities of other business groups and help facilitate wider lobbying strategies in response to Commission proposals.

A fifth source of the EC Committee's nous is its access to multiple Directorates-General (DG) within the Commission. Ensuring that the interests of third countries are taken into account in EU policy-making is primarily the responsibility of DG I (External Relations). However, resentment of DG I is rife within other Commission services. In particular, DG III (Industry) officials insist that it is up to each service to consult whomever they choose and whenever they choose. When the external impact on third countries of a draft single market or industry policy becomes undeniable, DG III and other DGs will bring DG I into its meetings. However, they often will seek to delay the invitation as long as possible, since DG I will then normally insist on attending every meeting (Brewin 1994: 4).

Thus, the EC Committee has long nurtured its links to other DGs. In particular, it has intimate ties to DG XV, which originally worked only on financial services, but now embraces the entire Single Market. Its orientation traditionally has been more 'free market' than DG III, which retains close links to European industry.

Finally, the EC Committee has not rested on its laurels. Another in a series of 'strategic reviews' conducted in 1992 resulted in two new initiatives. First, the Committee agreed to develop 'pan-European networks' to improve access to the national level, with a view to promoting the proper implementation of Single Market legislation, an issue which the Committee neglected in the past. Second, the review launched the creation of a new group of High-Level Executives: the European-American Industrial Council, or EAIC (Green Cowles 1994: 322-30). In some respects, the EAIC appeared designed to secure some of the benefits in terms of weight and access at the highest political levels as enjoyed by the European Roundtable of Industrialists (see Green Cowles 1985). More generally, both initiatives are evidence of the way in which the American lobby in Brussels is 'highly resilient and adaptable to changing circumstances' (Jacek 1995: 348).

4) A 'NORTH ATLANTIC ECONOMIC SPACE'?

Changing circumstances in US-EU trade and investment relations have placed the idea of a 'leap forward' in the elimination of barriers to transatlantic trade on the transatlantic political agenda. Calls for an initiative of this kind were made in 1994-5 by Andreas Van Agt, the head of the Commission's delegation in Washington; Lane Kirkland, the President of the US Trade Union, the AFL-CIO; Klaus Kinkel, the German Foreign Minister; Jean Chrétien, the Canadian Prime Minister; and Sir Leon Brittan, the EU Commissioner for trade (see Duesterberg 1995; Harrison 1995; Barber 1995). Private sector support for such an initiative has been considerable, as evidenced by the input of firms into the Brussels-based Transatlantic Policy Network (TPN 1994).

In Washington, the period featured blood-letting campaigns to secure Congressional ratification of the North American Free Trade Area (NAFTA) and the Uruguay Round in 1994, and then the Mexican peso crisis of early 1995. Thus, when Garten suggested in an unscripted press conference that the US and EU should work towards a 'North Atlantic Free Trade Area', he was slapped down from the higher echelons of the administration (Dunne 1995). However, despite considerable 'trade liberalisation fatigue' in Washington, Garten continued to support calls on both sides of the Atlantic for the creation of a 'North Atlantic Economic Space'.

The April 1995 report on transatlantic trade of the Washington-based European-American Chamber of commerce - with substantial input from the EC Committee - represented the culmination of a lengthy discussion within AmCham in Brussels about the idea (see Dunne 1995b). In October 1994, the EC Committee first discussed the idea of a study modelled on the 'Cechinni Report on Non-Europe', which inspired the 1992 project. Its focus would be on the 'costs of non-convergence' between the US and EU. In particular, US firms in Europe sought to highlight the high costs of compliance with divergent regulations on each side of the Atlantic. The costs of land, labour and capital are generally higher in Europe than in America. However, the costs of compliance are much higher in the EU. For example, more stringent and multi-layered regulation in the EU means that the average total cost of the slip that accompanies a credit card transfer is more than three times higher in the EU than in the US. The costs of compliance are especially high in Germany: if a Japanese tourist loses their American Express card in a German night club, they telephone a local number which - due to restrictions on night work in Germany - connects them to Japanese post-graduate students working at the American Express office in London.

The costs of compliance are particularly burdensome to firms which depend heavily on public sector contracts, such as the computer firm, Digital, or the disposal firm, Waste Management. Complying with environmental regulations and local content requirements can be particularly burdensome. Since it is usually possible to influence such rules only at the margins through lobbying, the creation of a 'North Atlantic Economic Area' offers prospects for significant deregulation as regulations in the EU are harmonised to more closely match those in the US.

The obstacles to such an initiative are numerous and daunting. The Commission is widely viewed within the major US trade agencies as having strong protectionist instincts, and as easily undermined by national governments when it does take pro-free trade positions. Meanwhile, on the US side, bilateral negotiations on public procurement in 1994 highlighted the difficulties that the federal government has in delivering the individual US states in the context of any bilateral US-EU deal. However, with the encouragement of US MNEs, the Clinton administration is at least studying such proposals at the agency level, within the Commerce Department and USTR. The ground for actual negotiations has begun to be cleared at the sub-cabinet level, where discussions have taken place within the Transatlantic Declaration framework on harmonising competition, standards and anti-dumping policies. Private sector actors have lobbied hard on both sides of the Atlantic to press home the point that the continued existence of barriers to trade between economies which are so similar is wasteful and anomalous in the late 1990s.

Moreover, officials and firms on both sides are concerned that - especially given the Clinton administration's fervent export promotion - intense 'firelights' between US and EU producers for huge infrastructure contracts in India, Brazil, China and elsewhere could stoke bilateral trade wars. In Garten's words, 'the prize is enormous and the competition to get it can be divisive'. At minimum, the US and EU should seek agreement on 'a framework to restrain unfair competition' (quoted in Hoaglund 1995).

One lesson of past negotiations between the US and EU - on the Transatlantic Declaration and post-Blair House Uruguay Round (Devuyst 1995) - is that the EU usually cannot overcome its internal divisions to match the terms of US offers made in pursuit of mutually beneficial deals. One problem, of course, is that the EU 'lacks an institution comparable to the elected US Presidency which can subordinate sectoral and state interests for the sake of securing cooperation from important or needy outsiders' (Brewin 1994: 15). Another, apparently, is the present weakness of the Clinton administration given hostile Republican majorities in Congress. Whatever Clinton's fate in his attempt at re-election in 1994, the Republican majorities in Congress probably cannot be reversed until 1998, if then.

However, the changed domestic political context in the US is not a barrier to a transatlantic initiative on trade and investment. If anything, provided the Mexican crisis abates, Republicans in Congress are more likely to embrace such an initiative than Democrats. Most Congressional Republicans are instinctive free traders. Perhaps most importantly, they are likely to support an initiative which has the broad and unified support of the US business community.

The most recent salvo in the battle to secure a US-EU agreement on trade and investment came from Garten in late April 1995. He warned that the US and EU risked drifting apart unless a 'new economic architecture' was built to sustain the transatlantic relationship as security links diminished:

We need to invest at least as much time and energy in the development of a new economic architecture as we are doing in the restructuring of NATO. This is not now the case, and we have no time to lose (quoted in Southey 1995).

The Director-General of DG I, Horst Krenzler, echoed Garten's urgings and added that 'the former distinction between economic policy and security policy is blurring' (quoted in Southey 1995). Both were speaking to the EC Committee in Brussels. Clearly, if a transatlantic initiative is to be successfully agreed, it will play an important role in its success.

5) CONCLUSION

US influence on the internal market must be viewed holistically: it is a product of political and security links as well as economic ties. For example, the established practice whereby incoming EU Council Presidencies brief the US on European Political Cooperation (EPC) matters leads Brewin (1994: 17) to argue that 'the US is given more information than European MEPs or citizens about the outcomes of EPC ministerial discussions'. Inevitably, US influence on political and security matters 'spills over' into influence on economic issues.

However, it is difficult to argue that American influence on European political and security issues has not declined since the end of the Cold War. One upshot is that the mobilisation of private American actors may be a more important determinant of US influence on EU decision-making. In the case of Internal Market policy, US influence clearly is maximised when both private and public actors lobby in tandem and from an early stage in the EU's decision-making process.

In this context, the second banking directive invites comparisons with American lobbying on other issues of concern. In the general area of technical standards, the now infamous request of Bush's Secretary of Commerce, Robert Mosbacher, for a US 'seat at the table' in EU discussions about standards was a always non-starter (see Woolcock 1991: 92-110). Mosbacher possessed acute political instincts and was a 'player' in the Bush administration. However, he lacked the full backing of the US business community because American MNEs generally do not export to the EU as much as they invest in the EU, with the effect of making them relatively unconcerned about standards.

Another case for comparison is the EU's 1989 'Television Without Frontiers' directive. As in the case of the banking directive, a coalition of both public and private American actors formed to oppose EU plans to reserve a majority of European broadcast time for homegrown programming. Under American pressure, the directive was watered-down considerably by the Committee of Permanent Representatives before being passed (Devuyt 1994: 366-7).

Still, even the weaker version of the broadcast directive cut sharply into US exports in a sector where American comparative advantage is indubitable. Two years after the directive was passed, the leader of the EP's delegation to the US Congress said he had 'never seen the US delegation so united around a single issue' (quoted in Peterson 1993: 135). The formidable Hollywood-based coalition of American programme-makers, led by Jack Valenti and tied closely to the Democratic party, only emerged to fight the US corner on the 'cultural products' issue in the Uruguay Round. It did not coalesce until after 'Television Without Frontiers' had been implemented. In contrast with the banking directive, the US lobby did not 'get in early'.

Our more general point is that US power in Brussels is far more a product of the effective mobilisation of private actors than any action that could be taken by public actors. Arguably, US MNEs possess the most resilient form of power in EU decision-making: structural power. Companies of US parentage employ at least 9 million Europeans, whereas European firms employ about 3 million Americans. As one of us has argued:

It is a common perception in Brussels that, compared to their European counterparts, American companies are much more mobile and willing to move their operations around or out of Europe to benefit from market situations. As a consequence, one could argue that American firms possess greater structural power than do European companies (Green Cowles 1994: 316).

Another 'bottom line' point of our analysis is that the early stages of the EU's policy-making process are crucially important in EU governance. Clearly, they have been under-researched. To illustrate the point, in creating the European Economic Area, a formula had to be found which, on one hand,

allowed European Free Trade Association (EFTA) states to have input into the EU's legislative process while, on the other hand, preventing the legislative process from becoming a hostage to 'third country' approval. The formula which was agreed 'distinguished decision-shaping from decision-taking. While the EFTA countries were allowed to participate - via legislative consultation and information procedures - in the decision-shaping phase of the EC's legislative process, final decision-taking was reserved for the Council' (Devuyst 1994: 355). EFTA countries found the formula acceptable because they realised that after a formal proposal is tabled by the Commission, scope for changing it exists only at the margin (see Hull 1993). The EC Committee openly admits that its 'primary aim is to contribute to the development of policy at the drafting stage' (cited in Green Cowles 1994: 314).

Our case study of US lobbying and influence on the internal market suggests that a general framework for analysis of EU decision-making must theoretically 'capture' two key features of the legislative process. First, the importance of decisions taken before proposals reach the EU's Council of Ministers. Second, the importance of informal relationships in determining EU policy outputs (see Peterson 1995b).

Our final point is that reliable information may be the most important source of power within EU policy networks concerned with Internal Market policy in specific industrial sectors. This assumption is a logical one due both to the high degree of uncertainty which accompanies liberalisation and reduction of trade barriers, and the highly technical nature of many EU internal market policies. Our analysis of American power in EU governance generally and the role of the EC Committee specifically illustrates quite clearly that information is power, and perhaps more so in the EU than in other systems of government.

APPENDIX I

1994 EC COMMITTEE MEMBERS

Abbott Laboratories Dow Europe Motorola
Adamson Associates Du Pont de Nemours Nalco
Akin, Gump, Strauss, Hauer, Feld Dun & Bradstreet Nike
& Dassel EDS Northern Telecom
Allied Signal Eli Lilly NYNEX
American Express Entente Internat'l Communication O'Melveny & Myers
Amway Ernst & Young OMC
Arthur Andersen Ethyl Oppenheimer, Woff &
Donnelly
AT&T EuroDisney Pacific Telesis
Avon Products Exxon Chemical Pennzoil
Baker & McKenzie Exxon Company Pfizer
Bankers Trust Company Ford Philip Morris
Bates & Wacker General Electric PIG
Baxter World Trade General Motors Price Waterhouse
Becton Dickinson Gillette Proctor & Gamble
Bellsouth Goldman Sachs Public Affairs
Consultants
Belmont Hercules Quaker Oats
Betz Hewlett Packard R3. Reynolds
Boden de Bandt de Brauw Jeantet Hill & Knowlton Rank Xerox
Lagerlof & Uria Hogan & Hartson Raychem
Bristol-Myers Squibb Honeywell Salomon Brothers
Browning-Ferris Hunton & Williams Scott Paper
Burlion, Bolle, Houben & Co. IBM SJ Betwin
Cargill Intel Skadden, Alps, Slate, Caterpillar International Paper Meagher
& Flom
Charles Barker ITT SmithKline Beecham
Chiron Johnson & Johnson Sonoco

Chubb Insurance Johnson Wax Squire Sanders &
 Dempsey
 Citibank Jones, Day Reavis & Pogue Sun Micro Systems
 Clifford Chance JP Morgan Texaco
 Coca Cola Kellogg's Texas Instrumcuts
 Colgate Palmolive Kodak Textron
 Compaq Computer KPMG Time Warner
 Coopers & Lybrand Law Offices of S.G, Archibald Tunken
 Corning Lubrizol Trenite Van Doorne
 Coudert Brothers 3M Union Carbide
 Covington & Burling Marissens & Partners UNISYS
 CPC Consumer FoodsMarket Access United Parcel Service
 Crummy Del Den, Dolan, Griffinget Mars United Technologies
 & Vecchione McDonald's Van Bael & Bellis
 Cyanamid McKinsey & Co. Warner Lambert
 E)ebevoise & Plimpton Merck Sharp & Dohme Waste Management
 Decherr Price & Rhoads Mobil Whirlpool
 DHL Monsanto Wilmer, Cutler &
 Pickering
 Digital Equipment Morgan Stanley Win. Wrigley JR
 Dow Corning Morgan, Lewis & Bocklus Wyeth-Ayerst

source: Green Cowles 1994: 320.

APPENDIX II

Keynote Speaker

Claus-Dieter Ehlermann Director-General DG IV-
 Competition
 EC Commission

Other Speakers

Horst Dengler General Counsel
 Procter & Gamble

Jonathan Faull Head of Unit -
 Directorate E 1
 DG IV - Competition
 EC Commission
 (To be confirmed)

Twelfth Annual
 Competition Policy Conference
 Organized by the Competition
 Policy Subcommittee

Daniel Goyder Deputy Chairman
 Monopolies and Mergers
 Commission - U.K.

Philip Lowe Director Merger Task Force
 DG IV - Competition
 EC Commission

Silvio Malitius Head of Division

Wolfgang Schneider Bundeskartellamt - Germany
Director Legal Affairs
Europe
Ford of Europe

Jean Russotto Chairman, Competition
Policy of the EC Committee
Partner in Charge
Oppenheimer, Wolff & Donnelly

Enforcing the European Union's competition policy is among the responsibilities of the European Commission. However, the Commission does not act alone - close cooperation and open channels of communication with Member European States' competition authorities is essential. Nor is the delineation of responsibilities between European and national authorities always clear, occasionally giving rise to tension between the two. In "European Competition Law at Work: How it is Enforced by the EC Commission and Member State Authorities", we examine the respective roles of EU and national competition bodies, and share their views on the practical aspects of enforcement at both levels.

Tuesday; November 29, 1994
SAS Royal Hotel, Brussels
Avenue des Arts 50. Bte 5. B-1040 Brussels. Belgium
Telephone 32-2-513 68 92
Facsimile 32-2-513-79 28

BIBLIOGRAPHY

Barber, Lionel (1995) 'Brittan Supports Overhaul of EU-US Relations', Financial Times, 28 April: 2.

Brewin, Christopher (1994) 'The Evolution of Rules for a Single European Market: the External Impact', paper presented to the ESRC Single Market Initiative Conference, University of Exeter, 8-11 September, miraco.

Commission of the European Communities (1988) 'Europe 1992: Europe World Partner' (Brussels: Commission Office of Press and Public Affairs), 19 October.

Devuyst, Youri (1994) 'U.S. Market Opening Strategies toward the European Community: the Role of GATT Customs Union Provisions and their Bilateral and Unilateral Alternatives', PhD thesis, Vrije Universiteit Brussel (VUB), Brussels.

..... (1995) 'The European Community and the Conclusion of the Uruguay Round' in Carolyn Rhodes and Sonia Mazey (eds) 'The State of the European Union, Volume 3' (Boulder and Essex: Lynne Rienner and Longman).

Duesterberg, Thomas J. (1995) 'Prospects for an EU-NAFTA Free Trade Agreement', Washington Quarterly, 18 (2): 71-82.

Dunne, Nancy (1995a) 'U.S. Touts Idea of Free Trade Deal with EU', Financial Times, 9 February:

..... (1995b) 'Study Highlights US-EU Links', Financial Times, 27 April: 7.

EC Committee (1991) 'Business Guide to EC Initiatives' (Brussels: the American Chamber of commerce in Belgium).

Grant, Wyn (1993) 'Pressure Groups and the European Community: An Overview', in Sonia Mazey and Jeremy Richardson (eds) 'Lobbying in the European Community' (Oxford and New York: Oxford University Press).

- Green Cowles, Maria (1994) 'The Politics of Big Business in the European Community: Setting the Agenda for a New Europe', PhD thesis, American University, Washington DC.
- (1995) 'Setting the Agenda for a New Europe: the European Round Table and EC 1992', *Journal of Common Market Studies* (forthcoming).
- Harrison, Glennon J. (1995) 'European Union-U.S. Trade Relations', CRS Report for Congress (Washington DC: Congressional Research Service), 95-342 E.
- Hoaglund, James (1995) 'Not Too Zealous on Trade', *Washington Post*, 12 January: A27.
- Hull, Robert (1993) 'Lobbying Brussels: A View from Within' in Sonia Mazey and Jeremy Richardson (eds) 'Lobbying in the European Community' (Oxford and New York: Oxford University Press).
- Jacek, Henry (1995) 'The American Organisation of Firms' in Justin Greenwood (ed) 'European Business Alliances' (Hemel Hempstead: Prentice Hall).
- Jobert, Michael (1990) 'The "New" American Policy', *Contemporary European Affairs*, 3 (1/2): 36.
- Judis, John B. and Lind, Michael (1995) 'For a New Nationalism', *The New Republic*, 27 March: 19-27.
- MacManus, Doyle (1995) 'Clinton's Mad, Mad, Mad World', *Los Angeles Times*, 22 January: 14.
- Mazey, Sonia and Richardson, Jeremy (1993) 'Introduction' in Sonia Mazey and Jeremy Richardson (eds) 'Lobbying in the European Community' (Oxford: Oxford University Press).
- McLaughlin, Andrew and Jordan, Grant (1993) 'The Rationality of Lobbying in Europe: Why are Euro-Groups so Numerous and so Weak?' in Sonia Mazey and Jeremy Richardson (eds) 'Lobbying in the European Community' (Oxford and New York: Oxford University Press).
- Peterson, John (1993) 'Europe and America in the 1990s' (Aldershot & Brookfield, VT: Edward Elgar).
- (1995a) 'Policy Networks and European Union Policy-Making', *West European Politics*, 18 (1): 389-407.
- (1995b) 'Understanding Decision-Making in the European Union: Towards a Framework for Analysis', *Journal of European Public Policy*, 2 (1): 69-93.
- Robinson, John (1983) 'Multinationals and Political Control' (New York: St Martin's Press).
- Servan-Schreiber, Jean-Jacques (1967) 'Le Défi Américain' (Paris: Denoël).
- Southey, Caroline (1995) 'US Grasps for New EU Links', *Financial Times*, 26 March: 7.
- Stokes, Bruce (1988) 'Loud European Trade Rumbblings', *National Journal*, 29 October: 2729.
- TPN (1994) 'Toward Transatlantic Partnership: A European Strategy' (Brussels: Transatlantic Policy Network).
- Wilson, Graham (1990) 'Corporate Political Strategies', *British Journal of Political Science*, 20 (2): 281-8.
- Woolcock, Stephen (1991) 'Market Access Issues in EC-US Relations: Trading Partners or Trading Blows?' (London: Royal Institute for International Affairs).

Zupnick, Elliot (1991) 'American Responses to 1992' in George N. Yannopoulos (ed) 'Europe and America, 1992: US-EC Economic Relations and the Single Market' (Manchester: Manchester University Press).