

Japanese firms in the EU: Europeanization of lobbying strategies and enduring national characteristics

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I, Yukihiro Hamada, confirm that the work presented in this thesis is my own. Where information has been derived from other sources, I confirm that this has been indicated in the thesis.

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Abstract

The number of Japanese firms in Brussels has increased since the creation of the European Single Market. At the same time, large European firms have become independent political actors and harmonized their lobbying pattern, creating a distinctive business-government relationship in the EU. Yet, it still remains to be examined whether Japanese firms are able to utilize their political options and conform to the new EU lobbying style, which features firms' direct participation within the policymaking process.

This thesis, based on four detailed case studies in automobile and electronics sectors, explores the Europeanization of Japanese firms' lobbying strategies, and assesses how they have adapted to the constantly evolving EU public policymaking system. With reference to the actor-based models of interest groups and Europeanization literature, it provides an empirical investigation of interaction between traditional Japanese lobbying practices and the EU institutional environment in forming firms' preferences for particular lobbying strategies. Each case study is based on a number of interviews conducted in Brussels and Tokyo with firms, business associations, and EU institutions. In short, a key objective is to highlight the variations in the Europeanization of Japanese lobbying, with special attention to the firms' embeddedness in traditional business culture. In addition, this thesis seeks to identify the opportunities and constraints that make up the institutional logic of Japanese firms in pursuing a more Japanese or EU type of lobbying practice.

Overall, this thesis concludes that Japanese firms have restructured their political behaviours to suit the EU policymaking process. However, the degree of such Europeanization of lobbying strategies has significantly varied across sectors and firms due to ranging influence from several institutional factors. In other words, the underlying nationality of the firm remains the vitally important determinant in the nature of its lobbying strategy formulation, and is much more persistent in the face of Europeanization than existing studies generally assume.

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1. Introduction: Japanese lobbying in the EU

Business interests have come to embody a significant force in the EU policymaking process, affecting the ways in which agendas and legislations are shaped. Large European firms have become independent political actors and harmonized their lobbying pattern, creating a distinctive business-government relationship in the EU (Coen 1997, 1998, 2003, Greenwood 2003, Greenwood and Aspinwall 1998, Richardson 1996, 2000, 2001, Wilson 2003). Many studies use an institutionalist research perspective to examine the mechanisms producing particular interest group behaviours and outcomes in the EU. As a consequence of this normalization, systematic comparisons become increasingly important. In the context of Europeanization, many studies have examined the transformation of interest intermediation by comparing national traditions and focusing on how they were translated to the European level or how the EU led to convergence between national modes of interest representation (Coen 1998, Wilts 2001).

While we are hardly the first to explore the Europeanization of business lobbying, our specific focus is quite different from that of previous studies. As we will discuss in the next chapter, the study of EU lobbying has typically treated large multinational firms as homogenous groups, increasing harmonizing their political behaviour at EU level. In contrast, we study the persistence of national characteristics in firms' lobbying strategies. Since the mid-1990s, Japanese firms have begun to generate more political capital and credibility in the European Union with the creation of the European Single Market and abolition of several trade measures such as voluntary export restraints (Kewley 2002). Yet, they have no member state to champion their concerns in the Council of Ministers and they are not used to the concept of direct lobbying due to the traditional Japanese business-government relationship. It still remains to be examined whether Japanese firms are able to utilize their political options and conform to the EU lobbying style, which features firms' direct participation within the policymaking process.

Japanese firms in the EU face two sequential decisions: whether to lobby individually or collectively (Olson 1965, Pijenburg 1998, Oliver 1993) and whether to use information or financial incentives as their instrument (Blau 1964, Levine and White 1961, Hillman and Hitt 1999, Aplin and Hegarty 1980). In Japan firms mainly represent

their interests collectively, using financial incentive instruments, whereas in the EU large firms prefer individual lobbying based on information instruments. If Japanese firms have fully adjusted to the EU policymaking process, they should demonstrate the same preferences for the set of the lobbying strategies as European firms, as indicated by the existing theories of lobbying. We explore the mechanism of the Europeanization of Japanese lobbying by focusing on these two choices that firms make in order to participate in the policymaking process. In other words, we aim to explore whether the Western concept of elite pluralism could be applied to the Japanese firms as a non-European actor. As an explanatory effort, we aim to work towards a more holistic model, recognizing that various streams of factors must be taken into consideration. Drawing on a number of resource dependency and institutional views (Pfeffer and Salancik 1978, Bouwen 2002, McCathy and Zald 1978, Cress and Snow 1988, Boddewyn 1993, Boddewyn and Brewer 1994, Hull 1993), we hypothesize that Japanese firms' lobbying strategies are influenced by EU, sectoral and corporate factors with varying efficacy. Some aspects of Europeanization theories are difficult to quantify and measure empirically, partly because they involve unquantifiable and difficult-to-impute concepts such as social values and norms. However, the difficulty of quantifying is mitigated by the fact that Japanese lobbying practices in the EU are always assessed in a comparative institutional spectrum, which has the European lobbying pattern at one end and the traditional Japanese one at the other end. Accordingly, it is the difference between, rather than the absolute magnitude of, Japanese firms' lobbying practices in the EU and EU lobbying pattern that matters.

In short, this research is about how Japanese firms conduct lobbying in the EU. The goals of our theoretical framework are twofold. One is to clarify to what extent Japanese firms have adopted to the EU policymaking process by focusing two aspects of their lobbying strategies: form of interest representation and instrument. The other is to identify the opportunities and constraints that make up the institutional logic of Japanese firms in choosing a particular lobbying strategy. Examination of these points will allow the opportunity to clarify and assess the persistence of national business-government characteristics within Japanese lobbying in the EU. We aim to explore whether the

Western concept of elite pluralism can be applied to Japanese firm as non-European actors in the EU policymaking process.

1.1 Purpose of the study

The major purpose of this study is to fill the gap between literature on the EU business-government relationship and on Japanese firms' political behaviour. In a wider sense, we aim to advance the understanding of participation of non-Western actors within the EU policymaking process. Many other scholars have studied the nature of business lobbying in the EU (Mazey and Richardson 1993; Greenwood 1998, 2003; Grant 2000, Coen 1997, 1998, 2003; Richardson 2000; Eising 2004; Pijnenburg 1998). Through their analyses, we have gained significant knowledge and understanding about the ways in which large firms interact with the policymakers. Traditionally, studies of interest representation can be classified into two categories in terms of their level of focus: micro- and macro- levels. Micro-level studies of lobbying investigate the interaction between interest groups and policymakers. Most importantly at the micro-level of lobbying studies, the leading authority is Olson (1965). He challenged the basis of interest group analysis by questioning whether like-minded interests would automatically associate. Collective action theory has undergone enormous growth and elaboration since Olson, with a major shift from focusing on individual decisions to focusing on group structure and interaction. Other important micro-level studies of lobbying include pressure politics and rent-seeking (Becker 1983, Grossman and Helpman 2001), the provision of information by interest groups (Blau 1964, Levine and White 1961), and organizational resource of interest groups (Cress and Snow 1998). In addition to the micro-level studies of lobbying, the main subjects of most macro-level studies have been structural, focusing on the extent to which different social interests are politically represented, on the question of whether interest representation has a monopolistic, oligopolistic, or egalitarian structure (Streeck and Schmitter 1991), and whether the state is a neutral arbiter (Truman 1951) or a broker of interests (Dunleavy and O'Leary 1987). Thus, many macro-level approaches to interest representation have strongly descriptive and prescriptive elements, allowing

researchers to describe and categorize different systems of interest representation and to investigate the effectiveness of different institutional constellations. Besides, the categorization facilitates the comparative study of political systems (Wilson 1990). In an EU context, by applying macro-level theories of lobbying, the development of the business-government relationship has been studied in a number of theories including corporatism, pluralism and elite pluralism. While national business associations are still vital policy channels for European business interests, large firms have become independent political actors in the EU (Coen 1997, 2001), representing their interests either individually or collectively through sectoral associations and ad hoc coalitions with other likeminded firms.

The development of a distinct business-government relationship at EU level is significant in that it challenges traditional forms of collective industrial action. The growing regulatory competencies of the EU have allowed these large firms to bypass long established national lobbying channels in influencing European legislations and programmes. Many large multinational firms have established a sophisticated political capacity that allows them to develop multi-level and ad hoc political alliances. This political coordination has standardized the ways of business interest representation across issues and altered national public policy systems. Several studies have illustrated the emergence of complex issue networks and more horizontal European interest communities (Richardson 2000, Coen and Dannreuther 2003). In this context of Europeanization, there are several works which examined the transformation of interest intermediation by comparing national traditions and studying how they were translated to EU level or how the EU led to convergence between national modes of interest representation (Coen 1998, Beyers 2002). The investigation of corporatist, pluralist and elite pluralist business-government relationships has also led to the comparative study of different national and sectoral patterns of interest representation (Greenwood 1997, Greenwood and Aspinwall 1998, Streeck and Schmitter 1991).

Generally, one of the broadest conclusions of the studies on varying national business lobbying traditions is that EU politics does affect the ways in which national groups relate to their governments and organize themselves at EU level, although some national political traditions may continue to matter to some extent. Many existing studies

treat large firms as a relatively homogeneous group, increasingly becoming European regardless of their nationality, and claim that, within the single European market, firms have harmonized their lobbying activity and become pan-European political actors. The consequence of increasing direct lobbying strategies among firms has been the creeping institutionalization of forum style politics and the creation of issue networks that have harmonized firms' lobbying patterns at EU level.

However, although many Japanese firms have been recognized as some of the largest in industries such as electronics and automobiles, not much Japanese lobbying has been observed and few studies examine whether, and if so how, Japanese firms have re-structured their political organization and developed credibility to adjust to the EU policymaking process. Most studies of Japanese business have concentrated on state-level negotiations, FDI and their management systems in the EU market. There has been little research on the effect of institutional conditions that make up the logic of Japanese firms to choose particular modes of lobbying in the EU. While EU policies affect the ways in which business interests relate to their governments or EU institutions, it is not clear as what are the conditions that determine the degree of transformation of Japanese firms as non-European actors. Japanese firms are different from European and American rivals in many aspects. Needless to say, they have no member state to champion their concerns in the Council of Ministers and are not used to direct lobbying, due to the traditional Japanese business-government relationship. Japanese business interests are traditionally and institutionally intertwined with the policymakers, leading to a lack of direct lobbying among firms (Zhao 1993, Ohtsu and Imanari 2002). Japanese politics is often seen by the elitist perspective, which is based on the concept of tripartite power elites composed of the leaders of the ruling party (Liberal Democratic Party), the bureaucracy and organized business. According to this perspective, these three major groups comprise a regular and effective alliance and control decision-making on major issues, although it emphasizes the bureaucracy rather than other political or economic leaders (Muramatsu, Ito and Tsujinaka 2001). Japanese political and business circles are inseparably connected to the bureaucracy, comprising a united power nucleus. One of the most well-known terms for this model is 'Japan Inc.', suggesting the most extreme and intertwined nature of

government, bureaucracy and business. Japanese politics is also described as “bureaucratic and mass inclusionary pluralism”, “patterned pluralism” or “compartmentalized pluralism” in which the monopolistic role of the bureaucracy in the policymaking process has been intact, but the roles of other political actors have also become increasingly important, while the Western pluralist assumption that policymaking is carried out in free competition among various actors is still clearly hindered by the elite groups and hierarchically organized social structure (Zhao 1993, Tsujinaka 1997, Muramatsu, Ito, and Tsujinaka 2001, and Kono 2003). Under such conditions, business associations traditionally dominate the business lobbying scene and direct lobbying by individual firms is very rare. Firms extensively use financial incentives to influence policymakers instead of information. It is interesting to explore how these national characteristics are transformed into the EU policymaking process.

From existing observations, the development of Japanese business lobbying in the EU can be roughly divided into two stages: from the mid-1980s to 1993 (pre-Treaty of European Union) and from 1994 to the present day (post-TEU). The first period of Japanese lobbying is largely characterized by the EU-Japan trade disputes, strong initiatives of Japanese Ministries and low associability and autonomy of firms (Gilson 2000, Mason 1997, Abe 1999, Belderbos 1997), while the second period featured expanding EU regulatory competencies, and firms’ growing awareness and efforts to blend into the European corporate landscape (Kewley 2002). This transformation of Japanese lobbying in the EU indicates that Japanese firms’ strategies have become Europeanized to some extent and highlights their political capacities to learn and adjust to the hosting political environment. Although how much of the observed localization of Japanese lobbying can be attributed to the supranational nature of the EU and the difference in domestic structures between Japan and the EU still needs to be examined.

Moreover, most existing case studies on Japanese lobbying abroad are often too descriptive and tend to lack theoretical foundation in their analyses. That is, they do not systematically explain in detail why Japanese firms adapted certain lobbying strategies in a given situation, and how their policy preferences for particular lobbying channels are formed. Besides, most studies examine Japanese firms’ lobbying strategies in the context of FDI or the EU-Japan trade disputes. Therefore, they consider the issues by mainly

looking at state-level negotiations between the politicians and bureaucrats of Japan and the EU, and pay less attention to firms' initiatives and policy preferences. As Japanese MNEs themselves become more important individual actors in a more interdependent international economy, their political capacities, such as seeking strategic alliances and negotiating with governments and other stakeholders, must be taken into account as ever more vital determinants of public policy outcomes in a changing EU order. As the EU regulatory competences have strengthened in many policy areas, such as environmental issues, it is necessary to examine how Japanese firms have conducted lobbying in these new policy fields. The limited relevance of previous studies has necessitated a theoretical reassessment of Japanese lobbying in the EU.

1.2 Our argument

In order to provide a sound theoretical basis to investigate the Europeanization of Japanese firms, it is important to stress that we focus on this issue primarily at the horizontal level of the EU policy formulation as opposed to top-down or bottom-up perspectives. Our argument draws attention to two aspects of lobbying strategies. They are the form of interest representation and the instrument. Recognizing that EU institutions have increased their regulatory competencies and that the process of business representation has taken on a very distinct logic at EU level with the development of forum style business-government relationship, we explore how Japanese firms have reacted to those opportunities in diverse ways at the EU tier of a multi-level system. Japanese firms in the EU are expected to adopt an EU lobbying style as well as retaining some of their national characteristics with varying degrees. With regard to the ways in which European firms relate to their national governments (Schmidt 1996, Coen 1998, Greenwood 2003), many large firms are now able to bypass long established national lobbying channels in influencing European legislations and programmes although these national routes still remain useful. Yet, the applicability of such Europeanization to non-European firms still remains to be tested. Although it is claimed that many multinational firms are increasingly more 'multi' and less 'national' than in the past, this is not always

true of Japanese firms. This is because formal government policies and informal administrative guidance, as well as social norms effectively embedded in the structure of business networks, have encouraged firms to consider and act in the national interests whenever and wherever possible (Zhao 1993; Yoshimatsu 2000; Ohtsu and Imanari 2002). In this sense, the underlying nationality of the firm may remain as the vitally important determinant of the nature of its lobbying strategy formulation. Fundamentally, the nationality is given by historical experience and the institutional and ideological legacies of that experience.

We develop a mechanism of lobbying strategy formulation wherein firms that have decided to be politically active face two sequential decisions; organization of interest representation and instrument. These two critical decisions that Japanese firms have to make in the EU are essentially the dependent variables of our analysis. The first decision a firm must make in formulating lobbying strategy is its form of interest representation, whether to pursue political action alone or with others. The first decision is theoretically pinned down by the logic of collective action (Olson 1965, Oliver 1993, Jordan 1998). Individual action refers to solitary efforts by individual firms to affect public policy. Collective action refers to the collaboration and cooperation of two or more firms in the policy process. Olson used the concept of rational pursuit of interests on the part of the potential member to show how membership would not arise if benefit could be delivered without the cost of membership. In an EU context, the Olson-style argument provides a micro-foundation for theories of elite pluralism or studies of the varying power of industry interests (Coen 1997, Jordan 1998). That is, both European and national business associations often fail to respond to the quickly changing and complex EU lobbying environment. Of course, there are still times when large firms do not want to take the lead on particular issues. For example, firms generally prefer that industry associations speak out on European social policy matters. Sensitive issues can often be deflected to the association as opposed to the firms themselves. Yet, generally speaking, membership incentives for such traditional business associations have been reduced. As a result, firms have become more proactive and developed political capacities to utilize a wide variety of political channels either independently or collectively through ad-hoc alliances with other countervailing interests.

After a firm decides to pursue lobbying individually or collectively, its next decision relates to the specific instruments it should employ. Many scholars interested in lobbying instruments have developed lists of specific strategies or tactics that firms may use to complete in the policymaking process. Several exchange theorists suggest two general or generic political strategies that firms and interest groups may use to target policymakers and compete in the policymaking process based on the fundamental resources exchanged: information and financial incentive (Blau 1964, Levine and White 1961, Hillman and Hitt 1999). According to these theories, the interaction of private and public organizations can be conceptualized as a series of inter-organizational exchanges. The organizations involved in the exchange make an implicit or explicit cost benefit analysis; on the basis of which they decide with whom to interact. The exchange relation is only likely to be durable when the exchange is reciprocal and both sides receive benefits from the exchange, which are equally distributed between the exchanging parties. The choice between an information or financial incentive strategy largely depends on what kind of resource policymakers need the most. By applying this model to the analysis of Japanese lobbying in the EU, it is possible to see how Japanese firms conduct lobbying in the EU and draw an interesting comparison with European firms if there is any difference in their lobbying strategies.

An analysis of institutional factors that are likely to influence the incentives of Japanese firms to choose certain types of lobbying is essential in order to systematically understand the logic of Japanese lobbying. The business-government relationship is a subsystem of a more encompassing society, polity and culture. It is therefore assumed that the dynamics of the interaction between Japanese firms and the EU policymaking process cannot be studied without examination of the institutional factors. These can be classified into three categories: EU, sectoral, and corporate factors. With reference to a number of actor-level theories of interest groups, examination of these institutional factors allows us to develop a series of hypotheses about an interactive mechanism between Japanese firms and the EU policymaking process. These factors underpinning the Europeanization of Japanese lobbying are not mutually exclusive. The normative structure of business-government relations is not fully captured if one only focuses on

organizational characteristics of political institutions. Therefore, we aim to work towards a more holistic model, recognizing that various streams of factors must be taken into consideration.

In terms of EU factors, firms' decisions regarding their form of representation and instrument are closely related to the varying demand of the EU institutions for information. According to the resource dependence perspective, organizations are not internally self-sufficient. Policymakers require resources from the environment and therefore have to interact with those organizations or groups who control the resources they need (Pfeffer and Salancik 1978: 258). An important consequence is that policymakers become interdependent with those organizations with which they interact. Resource dependencies matter because neither EU institutions nor interest groups can autonomously pursue and achieve their political goals. The more technical and complicated the policy is, the more likely Japanese firms are given access to the policymaking process since the level of resource dependency is high. Therefore, Japanese firms are likely to conduct more direct lobbying and less collective action through national associations. Alternatively, if the policy deals with few technical matters and concerns national interests, it is likely that Japanese firms are not given much access to the policymaking process since the level of resource dependency is relatively low. Therefore, they are likely to conduct more collective lobbying through national or European associations than direct lobbying. With regard to a firm's decision for the lobbying instrument, the more technical and complicated the policy is, the more likely Japanese firms are given access to the policymaking process since the level of resource dependency is high. Therefore, Japanese firms are more likely to use an information strategy to influence the policymakers than a financial incentive strategy. Alternatively, if the policy deals with few technical matters and concerns national interests, it is likely that Japanese firms are not given much access to the policymaking process since the level of resource dependency is relatively low. Therefore, Japanese firms may try to buy the political influence through financial incentive strategy.

A sector's institutional setting is also an important variable which affects Japanese lobbying. The ability to gain support for issues may be affected by fragmentations in society (Coleman 1988). Generally speaking, in more pluralist

structures, the institutional arrangements result in a variety of interests coming into play in the policy arena (Hayes 1992), resulting in a fragmentation of political and economic power (Vogel 1996). Insiders can be simply actors that are frequently consulted or actors that are actively involved in bargaining and policy negotiation or in the implementation of policy solutions (Grant 2004). Such insider and outsider division can be found in a sector as well. In other words, the formation of lobbying strategies in the policymaking process is also affected by the institutional setting of the sector. That is, for outsiders or those who are relatively new to the sector, the opportunity to affect public policy on specific issues in systems with predominant actors is more limited than in systems that open to individual special interest group pressure and that have a greater probability of developing negative sum or zero-sum policies. Fragmentation in a sector can be explored in terms of power relationships in the sector. Firms are aware of the strength of their position relative to their rivals. That is, the power relationship in a sector is mainly related to the presence of dominant European rivals, which leaves little room for Japanese firms to blend into the sector on the equal terms. In other words, the less hostile the sector is towards Japanese firms, the easier it is for them to blend into the policymaking process. In a sector with a higher number of dominant European rivals, Japanese firms are more likely to conduct collective lobbying through national business associations than individual lobbying. Similarly, the presence of predominant actors in a sector relates to a firm's lobbying instrument. Core insiders tend to dominate the information flow in a sector, leaving little opportunity for Japanese firms to utilize their technical expertise. Firms in a narrow product diversification may not have the opportunity to outshine their strong rivals by using an information strategy because the scope of required information is very narrow. Under such conditions, firms may choose to use a financial incentive strategy to influence the policymakers.

In addition, the reason why a particular Japanese firm is pursuing a more direct or collective type of lobbying strategy may sometimes be best understood by enquiring explicitly into not only the supranational and concerned sectoral factors but also corporate specific factors. Organizational resources should play a role in the decisions of lobbying strategy formulation. Resource mobilization theorists emphasize the importance of resources in interest mobilization (McCathy and Zald 1978, Cress and Snow 1988).

Individual action loads all costs directly on the participating firms, whereas in collective action, such as national business associations, the cost of political action is shared among members (Olson 1965). Larger firms with more spare resources and dominant firms in an industry often prefer individual rather than collective actions. They have the requisite resources for individual action, and such independent action may allow them to affect a government policy in a way that best favours the firm. Some firms may also have more intangible resources. In other words, some Japanese firms may simply possess more lobbying resources and experience than others. These firms are naturally more likely to be able to pursue a European style of lobbying. Resourceful Japanese firms may also find it easier to conduct an information strategy than those firms without sufficient resources. In addition, given the importance of credibility in informational lobbying, those Japanese firms that lack the resources to conduct an information strategy may choose a financial incentive strategy, such as hiring personnel with direct political experience in order to compensate for their lack of resources.

Our investigation of lobbying strategy formulation helps us understand the impact of increasing European integration upon non-European business actors in the EU. In other words, our analysis assesses whether the Western concept of elite pluralism could be applied to Japanese firms as non-European actors in the policymaking process. Most importantly, in contrast to previous research, our study aims to highlight the persistence of national characteristics in the lobbying behaviour of firms in the face of Europeanization. The underlying nationality of firms and their national business culture may constitute nevertheless powerful cultural norms that define appropriateness with regard to the way Japanese firms operate in the political system. This proposed framework needs to be confronted with the empirical reality. This study offers four case studies: automobile trade policies during the late 1980s and early 1990s, electronics trade policies during the same period, the End of Life Vehicle Directive of 2000 and the Waste Electronic and Electrical Equipment (WEEE) and Restrictions of the use of certain Hazardous Substances in electrical and electronic equipment (RoHS) Directives of 2003. The case studies draw a structured and focused comparison of Japanese automobile and electronics firms, in order to develop the existing explanatory framework of the

Europeanization of business interests. On the basis of 30 detailed interviews with firms, business associations and EU institutions, we provide an empirical investigation of interaction between traditional Japanese lobbying practices and the EU institutional environment in forming firms' preferences for particular lobbying strategies. This study concludes that Japanese firms have restructured their political behaviours to suit the EU policymaking process; however, the ways in which they have participated in the EU policymaking process are different from European firms. The EU institutional environment does not affect the logic of Japanese lobbying to the same degree as European firms. Convergence of lobbying strategies may be apparent at the level of lobbying instruments, but below the surface, where the roots of leading Japanese firms remain lodged, our research suggests a durable source of resistance. Underlying nationality of firms still remains a vital determinant in the formulation of Japanese lobbying strategies in the age of Europeanization.

1.3 Structure of the study

Our research seeks to contribute to scholarship on transnational lobbying by tracking the development of Japanese lobbying in the EU, with special attention to the interaction between the EU policymaking process and traditional patterns of Japanese lobbying. We begin in Chapter 2 by reviewing previous studies of the EU business-government relationship and Japanese business interests. The chapter does not review all studies of lobbying, a task that would be all but impossible, given the enormous size of the literature. However, we do focus on the specific claims that mark our point of departure. That is, although many Japanese firms have been recognized as some of the largest in industries such as electronics and automobiles, hardly any Japanese lobbying has actually been observed and few studies examine whether, and if so how, Japanese firms have re-structured their political organization and developed credibility to adjust to the EU policymaking process. Instead, many existing studies of Japanese lobbying abroad take their cases from US politics (Yamada 1982, Shinoda 1989, Choate 1990, Katzenstein and Tsujinaka 1995) and, in an EU context, many studies were done on

subjects such as Japanese FDI and business management and the EU-Japan trade disputes. These studies do not primarily focus on Japanese firms' lobbying preferences for political channels and they do not examine the changing nature of Japanese business lobbies.

In addition, there has been a general consensus that large firms have become independent political actors and harmonized their lobbying patterns, creating a distinctive business-government relationship in the EU. Most EU lobbying studies treat large firms as a relatively homogeneous group in this process of Europeanization (Jordan 2002, Coen 1997), and do not pay enough attention to the national differences that may still remain significant to some extent. Japanese firms are different from European and American rivals in many aspects. Needless to say, they have no member state to champion their concerns in the Council of Ministers, and are not used to direct lobbying due to the traditional Japanese business-government relationship. In this sense, Europeanization may not affect the ways in which Japanese firms relate to their national government to the same degree as European firms. Japanese lobbying abroad is often a mixture of adaptation to the hosting environment and extension of the domestic experience (Risse 1995, 2003, Katzenstein and Tsujinaka 1995). There is no doubt that Japanese lobbying in the EU has undergone a substantial transformation over the years, but not much direct lobbying has been observed yet either. Despite widespread FDI throughout Europe and their growing awareness of direct lobbying, it still remains to be examined to what extent Japanese firms have adjusted to the EU and whether there are any patterns in the process of the Europeanization of Japanese lobbying, in which firms have had to develop a relatively new concept of direct lobbying.

Chapter 3 examines the main theoretical model of our study. It is a challenge to develop theoretical ideas in the field of European interest politics, which is known for its diversity and complexity. In this chapter, an attempt is made to develop a model of lobbying strategy formulation in order to study the Europeanization of Japanese firms. Lobbying strategies involve a set of decisions for firms. The first decision of whether to lobby individually or collectively through business associations is theoretically pinned down by the logic of collective action (Olson 1965, Oliver 1993, Jordan 1998) while the second decision of whether to use an information or financial incentive strategy is drawn from exchange models (Blau 1964, Levine and White 1961). Our investigation of

lobbying strategy formulation helps us understand the impact of increasing European integration upon non-European business actors in the EU. Recognizing that many large European and American firms have become independent political actors (Coen 1997, 1998; Richardson 2000; Jordan 2002), our analysis assesses whether the Western concept of elite pluralism could be applied to the Japanese firms as non-European actors in the policymaking process. In the EU, large firms prefer direct lobbying to collective lobbying through European and national associations within the policymaking process, based on their information and technical expertise. It is claimed that many multinational firms are increasingly more ‘multi’ and less ‘national’ than in the past (Cowels 1998; Jordan 2002). However, this is not always true of Japanese firms. In Japan, business associations traditionally dominate the business lobbying scene and direct lobbying by individual firms is very rare. Firms extensively use financial incentives to influence policymakers instead of information. This is because formal government policies and informal administrative guidance, as well as social norms effectively embedded in the structure of business networks, have encouraged firms to consider and act in the national interests whenever and wherever possible (Zhao 1993; Yoshimatsu 2000; Ohtsu and Imanari 2002). In this sense, the underlying nationality of the firm may remain as the vitally important determinant of the nature of its lobbying strategy formulation, and be much more persistent in the face of Europeanization than existing studies generally assume.

If Japanese firms have fully adjusted to the EU policymaking process, they should demonstrate the same preferences for the form of interest representation and the instrument as European firms addressed by the existing theories of lobbying. As an explanatory effort, with reference to resource dependency, the insider and outsider model, and organizational resources, we also proposed a set of EU, sectoral and corporate factors that are likely to affect a firm’s choice for the form of interest representation and instrument. The interaction of these variables in the EU forms the central connecting thread of this study, and generates a set of testable hypotheses for empirical testing in the subsequent chapters.

Having identified current debates in the study of the EU policymaking process and set out the theoretical approach of our research, Chapter 4 explains the methodology to test the hypotheses and systematically analyze the Europeanization of Japanese

lobbying. The distinctive contribution of our research is the investigation of Japanese lobbying strategies by focusing on their embeddedness in national lobbying practices. We develop the research design, which is centered on a structured and focused comparison of a set of case studies. A case study approach enables us to investigate the details of Japanese lobbying, but it is also subject to several criticisms such as small sample sizes and difficulty of generalizing the results. Therefore, care must be taken in choosing particular cases and collecting data (Lijphart 1971, Gerring 2004, de Vaus 1996, Yin 2003, Geddes 1990, Mahoney, 2000). The chapter explained a number of criteria for selecting four case studies and the measures for the dependent and independent variables which are the main focus of the subsequent chapters. The questions of how Japanese firms lobby in the EU and what constitute their institutional logic in developing a particular lobbying strategy are best analyzed by a comparative case study approach. We chose automobile trade policies during the late 1980s and early 1990s, electronics trade policies during the same period, the End of Life Vehicle Directive of 2000, and the Waste Electronic and Electrical Equipment (WEEE) and Restrictions of the use of certain Hazardous Substances in electrical and electronic equipment (RoHS) Directives of 2003. In each case study we will particularly look at both the form of interest representation of firms and their instruments in the lobbying process, and examine the impact of EU, sectoral, and corporate factors upon their particular choice of lobbying pattern. Empirical evidence for these case studies mainly came from the 30 interviews with a number of stakeholders in Brussels and Tokyo, and secondary resources such as existing documents and archival records.

Chapters 5 through 7 provide the main empirical analysis in the research. We begin in Chapter 5 with two case studies of automobile and electronics firms' lobbying strategies against the EC trade measures from the late 1980s to the early 1990s. Trade policies symbolized the troubled transnational relations between Japan and the European Community during the 1980s and the early 1990s. The EC had taken a range of trade policy measures since the early 1980s to protect European industries, such as the Voluntary Export Restraints (VERs), antidumping, and local content rules, often specifically targeting Japanese firms. Under such conditions, Japanese firms had to generate political capital and lobby the EC to influence its trade policies to their own

benefit for the first time in the European policymaking process. The automobile and electronics firms constituted one of the most important aspects of Japanese business lobbying during this period, as both sectors had developed the most fully-fledged European operations of all Japanese manufacturing sectors. In an automobile context, trade disputes culminated in the agreement between the Japanese government and the EC in July 1991, effectively placing numerical limits on Japanese automobile exports to the EC as a whole and to specified member countries until 1999. This landmark accord stipulated that free trade in automobiles would be completed by 2000 and set a transitional period to allow European manufacturers to adapt. Nonetheless this agreement constituted Europe's principal policy response to the Japanese automobile challenge as unification approached. Similarly, Japanese electronics firms were subject to a series of EC trade policy measures during this period, although these disputes did not lead to a creation of single trade accord between Japan and the EC like the automobile case. The most important instrument of trade policy was undoubtedly antidumping. A wave of antidumping actions, concentrated in the second half of the 1980s, targeted Japanese electronics firms and often led to the imposition of duties. In addition, the EC later amended its antidumping law to make it applicable to Japanese assembly plants in Europe. This was effectively administered as local content rule. These two cases provide good illustrations of the formative period of Japanese lobbying in Europe; how Japanese automobile and electronics firms reacted to the trade barriers and chose a certain lobbying strategy. This chapter lays a contextual analysis of the early years of Japanese lobbying in the EC, which constitutes the basis for the longitudinal and cross-sectoral comparison with the case studies in the following chapters. It provides a window into the further case studies of Japanese lobbying in the post- TEU period, which highlight the transformation of Japanese lobbying.

Chapters 6 and 7 provide the empirical tests of our arguments in the recent case studies, and thus mark a significant departure from previous studies. Although there are a number of studies on Japanese FDI patterns or management mechanisms in Europe, there are fewer that deal with the influence of firms' lobbying on public policy or which examine the evolution of Japanese business interest representation in the EU. Chapter 6 focuses on Japanese automobile firms and the ELV Directive. In short, the ELV directive

is concerned with cars, vans and certain three wheeled vehicles and aims to make vehicle dismantling and recycling more environmentally friendly. The directive sets clear quantified targets for reuse, recycling and recovery of vehicles and their components, encouraging producers to manufacture new automobile products with a view to their recyclability. The ELV policymaking process provides a good case study to highlight how Japanese automobile firms tried to restructure their strategies in the post-TEU period and to what extent they managed to blend into the European automobile market in terms of lobbying. Japanese automobile firms have been producing in Europe since the 1970s and their sales now count for about 11% of European market. However, in a lobbying context, the European Automobile Manufacturers Association (ACEA) has been the dominant business interest group, and the Japan Automobile Manufacturers Association (JAMA) and Japanese firms are still forced to continue as separate lobbies. In this sense, the ELV policymaking process was more institutionalized with fewer stakeholders than other similar EU waste management policies, such as the case of the WEEE/RoHS directives and electronics industry. Hence, this case is very interesting as one of the prime examples in which Japanese firms tried to maximize their business interests from a relatively disadvantaged position to compared to their European rivals, and ended up with varying lobbying strategies across firms.

Chapter 7 focuses on Japanese electronics firms and the WEEE/RoHS Directives. The WEEE Directive regulates the management of waste from a wide and disparate range of electrical and electronic consumer appliances, as well as professional equipment such as washing machines, TVs, radios, shavers, PCs, printers, medical equipment, vending machines, and toys. Producers are now responsible for taking back and recycling electrical and electronic equipment and consumers are able to return their equipment free of charge. In addition, the RoHS directive requires the substitution of various heavy metals (lead, mercury, cadmium, and hexavalent chromium) and brominated flame retardants (polybrominated biphenyls (PBB) or polybrominated diphenyl ethers (PBDE)) in new electrical and electronic equipment put on the market from the 1st July 2006. The case of the WEEE/RoHS directives is one of the few policies in which Japanese firms actively took part in the lobbying process and managed to carve out their major concerns in the directives at the end. The empirical tests in these chapters have two objectives. One

is to clarify to what extent Japanese firms have adapted to the EU policymaking process by focusing two aspects of their lobbying strategies: form of interest representation and instrument. The other is to identify the opportunities and constraints that make up the institutional logic of Japanese firms to transform their lobbying strategies.

Chapter 8 concludes our study. This chapter reviews our main arguments and evidence about the opportunities and constraints that make up the institutional logic of Japanese lobbying in the EU with reference to the enduring national characteristics. We then discuss the normative implications of our study. If our argument is correct, what are the implications for the study of non-European actors in the EU policymaking process? That is, the underlying nationality of firms may remain as the vital determinant of their political behaviour in the EU. In a wider sense, we aim to advance understanding of the participation of non-Western actors within the EU policymaking process. The concept of elite pluralism, which features direct participation of firms based on the exchange of information within the EU policymaking process, may not easily apply to non-European firms. In the age of Europeanization, the underlying nationality of firms and their national business culture still constitute nevertheless powerful cultural norms which define appropriateness with regard to the way Japanese firms operate in the political system. Examination of these points will also allow the opportunity to identify and suggest avenues for future theoretical and empirical research.

2. Business–government relationships in Japan and the EU

For over twenty years, lobbying in the European Union (EU) has attracted the interests of many scholars, who have produced a number of studies of interest groups at national, supranational, and transnational level. In the field of European business and politics, many empirical studies have been undertaken (Mazey and Richardson 1993; Greenwood 1998, 2003; Coen 1997, 1998, 2003; Richardson 2000; Eising 2004), and it is now widely perceived that many European and American firms appear to have established a sophisticated political capacity that allows them to develop new multi-level and ad hoc political alliances to maximize their interests. The development of business interests is significant in that it challenges traditional forms of industrial collective action in Europe. The growing regulatory competencies of the EU have allowed large firms to bypass long established national lobbying channels in influencing European legislations and programmes. Therefore, the firms which succeed are those that have the flexibility to adapt to the issues and to utilize a wide variety of political channels at multiple levels. Large firms have established a strong EU presence, and a distinct EU business-government relationship, which has set the standard for business lobbying across sectors in Brussels.

In this context of Europeanization, there are several further examples of research which examine the transformation of interest intermediation by comparing national traditions and studying how they were translated to the European level, or how the EU led to convergence between national modes of interest representation (Coen 1998; Beyers 2002). One of the broadest conclusions of these studies is that EU policies do affect the ways in which national actors relate to their governments although national political traditions continue to matter to some extent. However, very few studies have attempted to explore the degree to which non-EU large firms adapt to an existing kind of EU lobbying practices, except several studies on trans-Atlantic comparison (Coen 1999, 2004; Cowels 1996).

In this sense, Japanese firms in the EU deserve a closer examination as they are unique and different from their European and American rivals. They have come to embody significant market forces in a number of sectors in the EU. However, in a

lobbying context, they have no member state to champion their concerns in the Council of Ministers and they are not used to the concept of direct lobbying, due to the traditional Japanese business-government relationship. Examination of Japanese firms' lobbying strategies provides an interesting insight into their adaptation to the EU business-government relationship. Most of the existing studies of Japanese lobbying abroad look almost exclusively at cases in the USA or the EC-Japan trade disputes during the 1980s and 1990s. Although they have provided important insights into firms' lobbies and their outcomes, the limited relevance of previous studies to the constantly evolving EU policymaking process has necessitated a theoretical reassessment of Japanese lobbying. Along with the growing political and economic importance of the EU, and as most trade disputes were largely resolved by the early 1990s, Japanese firms have also re-structured their lobbying strategies to maximize business interests since the mid 1990s.

This chapter proceeds as follows: We shall firstly review major existing lobbying literature in both general and EU context to present the development of EU business-government relationship. Where we depart from general treatment of participation of business interests at EU level, we especially focus on large multinational firms' lobbying strategies within the policymaking process. Then, in order to draw a comparison with the EU lobbying pattern, the Japanese business-government relationship is explained in detail, with special attention to firms' preferences for collective lobbying through their business associations. In addition, the chapter refers to previous studies on the Japanese business interests abroad and points out the need for a reassessment of Japanese firms in current EU policymaking process. Overall, examination of these points will allow the opportunity to assess and clarify theoretical approaches of previous works, existing debates, and research agenda for Japanese lobbying in the EU to develop our research questions and hypotheses in subsequent chapter.

2.1 Theories of business-government relationship

Studies of lobbying and interest representation have an important and long tradition. They can be broadly classified into two categories in terms of their level of

focus: micro- and macro-levels. Micro-level studies of lobbying investigate the interaction between interest groups and policymakers. Most importantly at the micro-level of lobbying studies, the leading authority is Olson (1965). He challenged the basis of interest group analysis by questioning whether like-minded interests would automatically associate. He challenged accepted wisdom in his day that 1) if everyone in a group has interests in common, then they will act collectively to achieve them; and 2) in a democracy, the greatest concern is that the majority will tyrannize and exploit the minority (Truman 1951). Using behavioural principles derived from economics, Olson used the concept of rational pursuit of interests on the part of the potential member to show how membership would not arise if benefit could be delivered without the cost of membership.

His research argues that individuals in any group attempting collective action have incentives to “free ride” on the efforts of others if the group is working to provide public goods. Individuals do not “free ride” in groups which provide benefits only to active participants. Public goods are goods which are non-excludable (i.e. one person cannot reasonably prevent another from consuming the good) and non-rival (one person’s consumption of the good does not affect another’s, or vice-versa). Hence, without selective incentives to motivate participation, collective action is unlikely to occur even when large groups of people with common interests exist. In this light, the public interest group seems more prone to free riders because it has few selective and material incentives to offer. Thus, mobilization problems faced by business and non business groups are different. There is an advantage to business in this non symmetry. It is also noted that large groups face relatively high costs when attempting to organize for collective action while small groups face relatively low costs. Furthermore, individuals in large groups gain relatively less per capita of successful collective action; individuals in small groups gain relatively more per capita through successful collective action. Hence, in the absence of collective incentives, the incentive for group action diminishes as group size increases, so that large groups are less able to act in their common interest than small ones. As a result, not only is collective action by large groups difficult to achieve, even when they have interests in common, but situations could also occur where the minority, which is bound together by concentrated selective incentives, can dominate the majority.

This argument is widely used to describe the emergence of business interest groups as being dominant both numerically and politically in many Western countries.

Collective action theory has undergone enormous growth and elaboration since Olson, with a major shift from focusing on individual decisions to focusing on group structure and interaction. Other important micro-level studies of lobbying include pressure politics and rent-seeking (Becker 1983, Grossman and Helpman 2001), the provision of information by interest groups (Blau 1964, Levine and White 1961), and organizational resource of interest groups (Cress and Snow 1998).

In addition to the micro-level studies of lobbying, the main subject of most macro-level studies has been structural, focusing on the extent to which different social interests are politically represented, on the question of whether interest representation has a monopolistic, oligopolistic, or egalitarian structure (Streeck and Schmitter 1991), and whether the state is a neutral arbiter (Truman 1951) or a broker of interests (Dunleavy and O'Leary 1987). Thus, many macro-level approaches to interest representation have a strongly descriptive and prescriptive element, allowing researchers to describe and categorize different systems of interest representation and to investigate the effectiveness of different institutional constellations. Besides, the categorization facilitates the comparative study of political systems (Wilson 1990).

In an EU context, by applying macro-level theories of lobbying, the development of the business-government relationship can be divided into three distinctive periods that set the theoretical foundation to examine large firms at EU level. Each period corresponds to the following theoretical models of lobbying.

2.1.1 Corporatism

There was a clear attempt to introduce a European variant of corporatism to the policy process during the pre-Single European Act (SEA) period (1953-1985). Corporatism is defined as 'a system of interest representation in which the constituent units are organized into a limited number of singular, compulsory, non-competitive, hierarchically ordered categories, recognized or licensed by the state and granted a deliberate representational monopoly within their respective categories in exchange for

observing certain controls in their selection of leaders, and articulation of demands and supports' (Schmitter 1974: 934). Corporatism involves the coordinated, cooperative, and systematic management of the national economy by the state, centralized unions, and employers, presumably to the benefit of all three actors.

In an EU context, multinational firms were kept out of the initial stage of European integration and shunned in favour of trade associations, even though they were among the earliest to think in pan-European terms (Greenwood 2003). Besides, firms were reluctant to organize themselves at EC level and had little incentive to alter their traditional means of lobbying as they could safely rely on unfavourable European policy being blocked by their national governments at the Council of Ministers (Hull 1993). The limited amount of direct lobbying could also be explained by the policy areas in which the Commission had a mandate. The broad policy area of the formative stages of the EC did not represent the core business areas of the firms. Under such conditions, European wide business interest organizations had little political implications, although some of those groups had existed since the early 1950s in industrial sectors such as coal, steel and agriculture. It is pointed out that "members of the earliest big business groups were company leaders, who organized for selective social incentives and gathered over sumptuous dinners and cocktails: learning about the Community's institutional arrangements and industrial programmes that might impact their firms was of secondary concern" (Cowels 1998: 109). That is, the broad single policy area prior to the SEA did not represent the core business areas of firms, but rather the broader trading environment of industry. It was rare for firms to have developed a specific policy initiative when it was easier to let its favoured national government lobby for their preferred market conditions.

2.1.2 Pluralism

During the period following the passage of the SEA in 1987, pluralist arrangement of business lobbying appeared to be prevalent. As a normative theory, pluralism is one of the underpinnings of traditional liberal democracy, best summarized by Dahl (1986: 4-33). As a descriptive scheme, pluralism typically has been used to

characterize interest group activity in systems where groups put pressure on political elites in a relatively disorganized and competitive manner. This is in contrast to the well-ordered and cooperative interaction between interest groups and policymakers that is implied under corporatism. In terms of the equality and fairness of interest representation, pluralist studies of interest representation tend to conclude that representation is generally fair, as under represented groups of actors will be involved if their interests are not sufficiently taken into account by policymakers (Truman 1951). The government appears mainly as a neutral broker between different interests.

The SEA called for movement towards a single internal market, and strengthened the competencies of the Commission in a number of policy fields, such as environmental policy, regional policy, and industrial policy. It also introduced the qualified majority voting (QMV) in the Council of Ministers, suggesting that the loss of veto by the member states increased the risk of unfavourable policy outcomes at the end of the policy process. Firms came to realize that the corporatist lobbying at the Council would have limited impact on the drafting European directives, and thus became more proactive at the policy formulation stage with the Commission. As a result, this strengthened European policy area creating a complex pluralist lobbying environment where firms had to establish some sort of political credibility to put pressure on political elites. This is in contrast to the well-ordered and cooperative interaction between interest groups and political authorities that is implied by corporatism. There was a sharp rise in the volume and diversity of business interests represented at European level. It was estimated in 1992 that there were no less than 3,000 special interest groups of varying types in Brussels with up to 10,000 employees working in the lobbying sector (Greenwood and Aspinwall 1998).

2.1.3 Elite Pluralism

The pluralist trend was further strengthened by the Treaty of European Union in 1992. As a result, by the early 1990s, the Commission experienced access overload of interest groups, and thus sought to regulate entry for firms and other groups into the policymaking process by encouraging the establishment of quasi-formal industrial forums. While these forums pursue collective goods, they generally have a more focused agenda-

setting role than the pre-existing European federations, and benefit greatly from being the sum of like-minded firms. With the success of these privately generated forums, the Commission has also set up a number of sector forums, such as the Automobile Workshop, the Transport Network Round Table. Successful firms must develop expertise and familiarity with issues, individuals, and groups involved in policymaking process. Large firms, such as Daimler-Benz and BP, have been invited to participate in high-level forums that discuss broad developments of the EU policies. With the weakening of traditional national lobbying channels, firms have recognized that the EU policymaking process consists of a number of issue sub-systems that require complex and flexible advocacy coalitions (Sabatier and Jenkins-Smith 1993; Sabatier 1998). These alliances can be temporary ad hoc groups based around fast changing single issues (Pijenburg 1997; Baumgartner and Leech 2001) or more permanent pan-European groupings organized around formalized relationships with the EU policymakers and among members such as European Automobile Manufacturers Association (ACEA). Thus, a large part of European business interest representation has become based on the limited number of forum style arrangements between EU institutions and selected firms. The Commission can pull in firms; it invites some firms to participate in the policymaking process and rival firms outside the forums must restructure their lobbying to also participate.

The pluralist approach to understand the EU policymaking process has come under attack from Olson-style micro-level theories of collective action, which argued that certain interests are less likely to organize and hence to be politically influential (Olson 1965). Among macro-level studies, this argument provides a micro-foundation for theories of elite pluralism (Schattschneider 1960, Coen 1997). Elite pluralism is defined as 'a system where access is generally restricted to a few policy players for whom membership is competitive and strategically advisable, but not compulsory or enforceable as in the corporatist model, and where the numerous points of access to the policy process and the interdependency of many of these channels hinder the identification of an institutional hierarchy' (Coen 1997: 98). In this sense, Brussels has become an insider's town, where operating effectively depends upon a dense network of interpersonal and intergovernmental links, and where it is difficult for outsiders to exercise any influence.

2.1.4 Emergence of distinctive business-government relationships in the EU

While national business associations are still vital policy channels for European business interests, large firms have become independent political actors in the EU (Coen 1997, 2001), representing their interests either individually or collectively through sectoral associations and ad hoc coalitions with other likeminded firms. Business groups are the predominant category of European interest groups, constituting 63% of all European-level interest groups in one survey (Greenwood and Aspinwall 1998). Around 950 formally constituted business interest associations are organized at, and addressed to, EU level, accounting for approximately two-thirds of all EU groups. Approximately 350 firms have some form of European representation in Brussels, and over a third of those are from the USA, 5% from Japan, 9% from both France and the UK, and 7% from Germany (Coen 1999, 2007). They are coordinated and staffed with senior managers and specialized government affairs directors. This highlights that increased interest in direct lobbying at EU level was not confined to the member states. Concern on the part of non-EU firms and business organizations that completion of the single market might create a protectionist fortress of Europe has promoted the widespread awareness for lobbying at EU level among non-European firms. It is pointed out that whilst Eastern European and Chinese interests continued to rely largely upon diplomatic representation in Brussels, American and Japanese firms were among the first groups which opened lobbying offices in Brussels (Gilson 2000, Hughes 2001).

When lobbying under the current elite pluralist environment, firms seek to establish networks with the policymakers and gain political credibility by mainly exchanging insider and technical information (Broscheid and Coen, 2003). The desire by large firms to participate directly in the EU policymaking process is reciprocated by the Commission's demand for quick and reliable information as well (Bouwen 2002, McLaighlin and Jordan 1993; Mazey and Richardson 1993). The Commission bureaucracy has approximately 16,000 members, the size of a larger city administration (van Schendelen 1996: 26). Thus, it relies to a large extent on private actors to supply it with information and to help it draft legislation. Financial campaign contributions which are prevalent in the US and Japan are not a part of business lobbying strategy in the EU

(Titley 2005). Successful firms need to exchange their technical information in return for the access to the policymakers. By utilizing such technical information, they lobby on policy formulation and revision at the Commission and the EP, as well as decision making at the Council. A successful lobby requires a number of vertical and horizontal strategies. Firms must be aware of where a policy is initiated, what the alternative pressure points are, and who has the potential veto points in the process (Coen 2003). Creating a working relationship requires time and an element of give and take. However, while trust can be developed through the provision of credible information over time, it can be lost in a much shorter period. Therefore, firms have come to invest a lot of resources to collect reliable technical information and maintain contacts with the policymakers at all times. The EU policymaking process is highly segmented, with a high degree of specialization geared around the input of professional expertises, over which business interests may have a monopoly against other interest groups. As a result, firms have a strategic resource advantage in lobbying and take a prominent role in both formulation and implementation of EU policies (Coen 1997, Bouwen 2002, Joos and Waldenberger 2005, and Jordan 2002).

The EU business-government relationship is more long-term and trust based than the competitive and fragmented one which is found in the USA. EU lobbying is essentially more consensual rather than adversarial (Titley 2005). It is usually more important to reach agreement than for one side to win. In any case, there are usually too many 'sides' for any single one to emerge as the sole victor. Unlike the situation in the US, where defensive lobbying is a widely used tactic aiming to block legislation, it is not in the nature of EU lobbying to stop something or kill it. In Brussels, lobbyists must learn to speak softly, softly (Woll 2006: 461). This consensus-oriented lobbying style has some of its origins in the fact that the European nation state has always been rather interventionist and the EU has had to step up its regulatory activity with the creation of the single market. This means a commitment to free markets but with extensive social and labour market regulation. The EU has produced a political environment where the administrative bureaucracies and the business interests have to work together to realize the policy objectives. Yet, during consultation and revision periods, firms negotiate hard

to minimize any negative impacts upon their interests before a final decision is made (Pedler, 2002).

2.1.5 Europeanization of lobbying practices among large firms

The development of a distinct business-government relationship at EU level is significant in that it challenges traditional forms of industrial collective action. The growing regulatory competencies of the EU have allowed these large firms to bypass long established national lobbying channels in influencing European legislations and programmes. Many MNEs have established a sophisticated political capacity that allows them to develop multi-level and ad hoc political alliances. This political coordination has standardized the ways of business interest representation across issues and altered national public policy systems. Several studies have illustrated the emergence of complex issue networks and more horizontal European interest communities (Richardson 2000, Coen and Dannreuther 2003).

In this context of Europeanization, there are several works which examined the transformation of interest intermediation by comparing national traditions and studying how they were translated to EU level or how the EU led to convergence between national modes of interest representation (Coen 1998, Beyers 2002). The investigation of corporatist, pluralist, and elite pluralist business-government relationships has led to the comparative study of different national and sectoral patterns of interest representation (Greenwood 1997, Greenwood and Aspinwall 1998, Streeck and Schmitter 1991).

Varying national business lobbying traditions in which firms are embedded may explain the different degree of Europeanization and the speed of change among firms in the EU. It is claimed that “in countries such as the US and UK, where there had been a long tradition of competing for government attention, adapting to the lobbying opportunities in the EU came as second nature.”(Coen 1998: 97) For example, Jordan (2002) analysed the Europeanization of British environmental policies and argued that Europeanization was an outcome of Britain’s evolving response to European integration and an important part of the broader process of bringing that about. In addition, there are some cultural and historical traditions that hindered firms’ mobility. In countries such as

France, Germany and Italy, where business had an institutional lobbying arrangement with the state, it took longer to recognize that national channels were diminishing in importance. German big business, for example, became involved in European business groups rather belatedly given its strong national industry associations (Cowles 1998). There is no doubt that increased internationalization has freed large firms from the constraints of national governments; the reality has often been that firms, in the past, conformed to the national political institutions and regulations for the purposes of domestic access and influence. The establishment of a multi-level policymaking process with a number of access points has induced a more formal political internationalization of business interests and provided a legal alternative for access to the EU policymakers.

Generally, one of the broadest conclusions of these studies is that the EU politics do affect the ways in which national groups relate to their governments and organize themselves at EU level, although some national political traditions may continue to matter to some extent. Many existing studies treat large firms as a relatively homogeneous group, increasingly becoming European regardless of their nationality, and claim that, within the single European market, firms have harmonized their lobbying activity and become pan-European political actors. The consequence of increasing direct lobbying strategies among firms has been the creeping institutionalization of forum style politics and the creation of issue networks that have harmonized firms' lobbying patterns at EU level.

2.1.6 Persistence of national characteristics in the face of Europeanization

Despite the convergence of strategies and business interests in Brussels, we can still expect some national business-government characteristics to persist in the foreseeable future. Very few scholars have examined how non-European and American firms have adapted to the constantly evolving EU lobbying environment. More specifically, Japanese firms are unique and different from their European and American rivals. They have come to embody significant market forces in a number of sectors in the EU. There are about 900 Japanese manufacturing affiliates in the EU including 271 in the

UK, 144 in France, and 133 in Germany.¹ However, in a lobbying context, they have no member state to champion their concerns in the Council of Ministers, and unlike American firms, they are not used to the concept of direct lobbying due to the traditional business culture. For Japanese firms, adjusting their lobbying strategies to the EU policymaking process is transnational in its nature as opposed to supranational for European firms. Needless to say, growing EU institutions do not affect the way which Japanese firms relate to their national government. Thus, Japanese firms in the EU are likely to develop their lobbying strategies on the basis of their national lobbying pattern.

In order to support this claim, transnational relations literatures present an interesting account for convergence of EU and Japanese lobbying practices. That is, while several transnational relations theories consider the transnational diffusion effects of cultural values and norms or the impact of international communication networks on public attitudes and national societies (Thomas, Meyer, et al 1987, Willets 1982), Risse (1995, 2003) specifically argues that focusing on the differences of domestic structures, which are shaped differently by the specific historical experiences in different countries, permits us to gain analytical leverage to explain various kinds of transnational relations. Transnational relations are defined as “regular interactions across national boundaries when at least one actor is a non-state agent or does not operate on behalf of a national government or an international organization” (Risse-Kappen 1995; 3). In this sense, foreign lobbies are the prime example of transnational actors and an important element in the process of internationalization. The impact of transnational actors and coalitions on a hosting state’s policies is likely to vary according to “differences in domestic structures, i.e. the normative and organizational arrangements which form the state, structure society, and link the two in the polity” (Risse-Kappen 1995: 6). The domestic structures of the hosting political environment are likely to act in determining the ability of transnational actors to bring about policy changes. In other words, the notion of domestic structures refers to the political institutions of the state, to societal structures, and to the policy networks linking the two. Domestic structures encompass the organizational apparatus of political societal institutions, their routines, the decision-making rules and procedures

¹ JETRO Offices in Europe

incorporated in law and custom, as well as the values and norms embedded in the political culture.

The major proposition put forward by these concepts is that variations in domestic structures account for differences in the policy impact of transnational coalitions and actors. Structures of governance, both domestic and international, interact in determining the policy impact of transnational actors. The differences of domestic structures which firms encounter abroad induce the transformation and some extent of localisation of foreign lobbies in each hosting country. In other words, a foreign firm's lobbying strategies to influence policies in the various issue areas are mediated, filtered and refracted by the hosting environments. This clearly shows that foreign lobbies are a bi-cultural product shaped by both the hosting and original political environments. That is to say, foreign lobbies are based on their domestic experiences and patterns of business-government relations as well as adaptation of hosting country's social norms, culture, business tradition, and other institutional settings. The concept of domestic structure concerns the incorporation of political culture. Insights from new institutionalism are therefore included, in particular the emphasis on communicative action, duties, social obligations, and norms of appropriate behaviour. Therefore, in order to investigate how Japanese firms have re-structured their lobbying strategies in the EU, it is important to have a clear idea of Japanese business-government relationship in which these firms are deeply rooted.

2.2 Japanese business-government relationship

2.2.1 Theoretical Model

Speaking of the significance of the nationality of the firm which is underpinned by the historical and social legacies of the state, we now need to turn to the examination of the Japanese business-government relationship. It is necessary to have an understanding of these issues in order to fully capture the development of Japanese lobbying in the EU.

Japanese politics is often seen by the elitist perspective, which is based on the concept of tripartite power elites composed of the leaders of the ruling party (Liberal Democratic Party), the bureaucracy, and organized business. According to this perspective, these three major groups comprise a regular and effective alliance and control decision-making on major issues, although it emphasizes the bureaucracy rather than other political or economic leaders (Muramatsu, Ito and Tsujinaka 2001). Japanese political and business circles are inseparably connected to the bureaucracy, comprising a united power nucleus. One of the most well-known terms for this model is ‘Japan Inc.’, suggesting the most extreme and intertwined nature of government, bureaucracy and business.

Recent studies of Japanese politics point out that the roles of politicians, business, and mass participation have become more and more prominent. It appears that, since the early 1990s, Japan has entered a more pluralistic stage in its politics and policymaking process. For example, Blaker, Giarra and Vogel (2002) argue that Japan is in many ways fragmented and pluralistic. It is without question a vertically organized society, however it is also structured horizontally and at each level there are numerous groups, fiercely assertive of their own interests, locked in competition with one another. In this sense, Japanese politics is sometimes described as “bureaucratic and mass inclusionary pluralism”, “patterned pluralism” or “compartmentalized pluralism” in which the monopolistic role of the bureaucracy in the policymaking process has been intact, but the roles of other political actors have also become increasingly important, while the Western pluralist assumption that policymaking is carried out in free competition among various actors is still clearly hindered by the elite groups and hierarchically organized social structure (Zhao 1993, Tsujinaka 1997, Muramatsu, Ito, and Tsujinaka 2001, and Kono2003). This political setting provides an institutional basis for firms and other interest groups to play their political function.

Under such political setting where business and government are closely intertwined, the concept of harmony (*Wa*) is essential to maintain their relationship. That is, business related policies are mostly drafted by the Ministry of Economy, Trade and Industry (METI), and METI traditionally stresses that business policy should serve the long-term interests of Japan to enhance its economic propensity and social stability

through growing technological autonomy and the pursuit of a policy of international cooperation (Vogel 1996, Nester 1993, McCargo 2000). As a result, the Japanese business community also stresses that firms should serve the long term interests of Japan as a whole. It emphasizes long term profits through cooperating and networking with other countervailing groups. Japanese firms prefer to participate in one kind of meeting or another in the field in which they specialize or in related fields, in order to solidify and expand their social contacts. In addition, many Japanese business organizations show a strong tendency to develop close ties with other groups and firms whose immediate interests appear quite different from their own, demonstrating a Japanese characteristic of building as large a group of connections as possible, on the basis of what many Westerners might regard as minimum common interests (Kubota 1997). The concept of harmony traditionally expresses this norm and is deeply rooted in Japanese society. Under such political conditions, there is a clear lack of direct lobbying among firms' strategies within the Japanese policymaking process. Instead, it is crucial for firms to maintain an informal relationship with national policymakers to secure their policy goals and quietly solve any problems. The Japanese business-government relationship is characterized by the extensive use of informal political activities of firms, which integrate their business interests into the policymaking process and make the boundary of public and private spheres blur. Informal settings are an important element of the Japanese business-government relationship in the way policymakers can listen and hear business interests which they might otherwise ignore.

Emphasis on harmony in the Japanese business-government relationship seems contradictory to the fundamental nature of business lobbying, in which business interests must exchange insider information for the favoured policy outcomes or put some kind of pressure on policymakers to influence their decisions. Japanese firms seem to focus on maintaining stability in the policymaking process while they still need to conduct lobbying to feed their interests into politics. One important question is posed here. If emphasis on harmony is so important to Japanese firms, how can it be created and sustained within business lobbying practices? In order to answer the question, we begin by disaggregating Japanese firms' lobbying patterns which enable them to incorporate lobbying and harmony.

2.2.2 Lobbying Pattern in Japan

Firstly, due to a long tradition of business activism and the existence of a hierarchically organized business community, Japanese firms show strong tendencies for collective action (Zhao 1993) through national business associations. These associations are well connected to each other and with politicians and bureaucrats. To be more precise, there are three different groups within the Japanese business community, each representing different hierarchical levels of economic groups; the top level is *zaikai* (the leaders of major economic organizations), the second is *gyokai* (the industrial groups), and the third is individual firms (Ogata 1977; Stockwin 1999; Yoshimatsu 2000). *Zaikai* are regarded as representative of big business interests including top economic organizations, such as the Japanese Federation of Economic Organizations (*keidanren*), the Japanese Chamber of Commerce and Industry (*nihon shoko kaigisho* or *nissho*), the Japanese Committee for Economic Development (*keizai doyukai*), and the Japanese Federation of Business Managers (*nikkeiren*). *Keidanren* is regarded as the bastion of big business because its leaders are drawn from such circles and its corporate members occupy a disproportionate position of the whole. *Keidanren* has the most extensive range of interests and most intensive activities. It is concerned with numerous domestic issues, not only economic but also social and political as well as international problems. While *Keidanren* deals with the government, it does not have much to do with labour-management relations. This is left to the *Nikkeiren*. *Keizai Doyukai* is a more informal group, bringing together relatively progressive middle managers from somewhat less politically constrained companies. Unlike the three others, *Nissho* represents the interests of medium-sized or small business firms. It is not as fiercely independent or assertive as other *zaikai* organizations. It was created under national law, receives some state support, and cooperates more directly with the bureaucracy. Although each *zaikai* organization represents a different group within the Japanese business community, they all tend to maintain reasonably friendly relations with each other and co-operate closely on many matters including those that do not fall neatly into the jurisdiction of one *zaikai* organization or another. They are the heads of Japan's multinational corporations and

exercise significant political power over Japanese politics. Although it is said to cost a few million dollars a year for a firm to send out one of its most senior officers as a *zaikai* leader, these positions are regarded as being highly prestigious and so they are actively sought after by Japan's top business leaders.² These *zaikai* leaders are often described as Prime Ministers of business community, and invited to participate in many very important political events in Japan including, for example, state dinners for visiting heads of state.

Gyokai is equivalent to an industrial sector representing specific interests, which range from manufacturing to finance and from small to large sized industries. Gas (Japan Gas Council), electricity (JEITA: Japan Electronics and Information Technology industries Association), automobile (JAMA: Japan Automobile Manufacturers Association), and steel (Japan Iron and Steel Federation), for example, are considered among the most powerful *gyokai* in the business society. A *gyokai*'s function is to coordinate competitive interests among individual firms within their respective spheres. It is at this level that industries have close contact with responsible bureaucrats as the *gyokai* represents interests of a sector as a whole against governmental and foreign pressure. A *zaikai*, on the other hand, does not represent any particular industrial sector, however it mediates conflicts between *gyokai* and coordinates national economic goals with the government (Abe 1999).

Finally, since *zaikai* and *gyokai* are more politically powerful in Japan, individual firms tend to follow the decisions of their business associations. It is traditionally the case that an individual is seen as subordinate to the group to which he or she belongs. The effect of such traditional norm is that individual Japanese firms are reluctant to take initiatives and initiate lobbying on their own. Most lobbying is initiated collectively under the initiatives of business associations. This strong tendency for collective action inevitably leads to a clear lack of desire for direct lobbying among firms.

What is significant with these business groups at three different levels are their objectives and functions in the Japanese policymaking process. These groups have a different level of counterpart in the bureaucracy and among politicians. While *zaikai* interacts with high-level bureaucrats and the Liberal Democratic Party (LDP)/other

² Canon chairs the leader of Keidanren since 2006, previously Toyota was the leader from 2002 to 2006

parties' senior leaders, *gyokai* and individual firms communicate with bureaus and sections of the Ministries and certain politicians with interests in particular policy areas. It appears that top Japanese business leaders from these *zaikai* organizations continue to devote a large amount of their time to matters that are national in scope and far broader than any particular concerns directly related to the specific firms that continue to pay their salaries.

Secondly, informal networks are some of the most effective mechanisms by which to coordinate different interests and to achieve consensus among political elites. Given the centralized powerful bureaucracy and a long tradition that heavily values social harmony and cooperation, informal networks give firms broader options, provide more flexibility for bargaining and compromise and reduce the risk of offending the domestic or international actors involved (Katzenstein and Tsujinaka, 1995). Such networking is based on informal and personalized means, such as financial contribution, fine-dining and offers of prestigious positions in the private sector to retired bureaucrats (*amakudari*). Some degree of informal networking between firms and policymakers is prevalent in most countries. However, with regard to their usage, there is a clear difference in degree and scope of intensity between Japan and the EU. The use of personalized/informal networks for political influence and mobilization in Japan is a more visible and frequent activity than in many other industrialized countries.

Japanese businesses often exercise significant political power through financial backing of the political parties. This is especially so when we note that of Japan's three (previously four) principal *zaikai* organizations, only *Keidanren* plays a publicly acknowledged role in collecting funds from leading Japanese firms and major *gyokai* organizations. It used to distribute these funds mainly among Japan's conservative political parties, although it ceased its role in political fund-raising in 1994 after a series of political scandals involving big firms and politicians. Until 1993, donation quotas were assigned to each industrial organization such as the Japan Iron and Steel Federation and the Federation of Electric Power Companies. Huge amounts were collected from affiliated companies, and then *Keidanren* distributed the donations through the National Political Association to political parties including the Liberal Democratic Party and the

now-disbanded Democratic Socialist Party. For example, the total annual amount of political funds handled by *Keidanren* in this process usually ranged from 120 to 140 million dollars per year (Kubota 1996, 1997). Despite the fact that political donations to individual politicians or their personal fundraising organizations were banned in 2000, for the 2002 national election campaigns, donations to political parties from firms and industrial organizations reached about 26 million dollars. In 2004, a new method for political donations through *Keidanren* was introduced. It now provides guidelines as a reference for companies and industrial organizations when they make political donations. These guidelines comprise evaluations of the policies of political parties, indicating their practical strengths and track records. After referring to these guidelines, companies and organizations independently decide on the recipients and the amounts of their donations. Many *gyokai* organizations and individual firms continue to donate large sums of money to the political parties at both national and local levels. The rest of the financial contributions from the business world to the parties and politicians consist of membership fees and purchase of tickets for fund raising events. These tickets may well be sold unofficially though individuals using an informal person to person organizational structure. The business community tries to see its goals realized by having *Keidanren* unify and channel donations exclusively to those parties that accept its demands not only in such areas as tax reform and industrial policies but also in diplomatic, defense and security areas. In this sense, Japanese business interests can buy political influence.

Furthermore, Japanese business interests have a close network with bureaucrats as well, although manipulation takes a different form from the case of the business-politician network. While public employees are paid reasonably well and expect a decent retirement, and therefore have less acute needs for money than politicians, they are not immune to certain temptations. It is pointed out that they do enjoy fine wining and dining especially when their own wages or pocket money exclude this, and it is nice to have an occasional round of golf at the expense of some big firms, especially if they bet on the game and win a lot of money when their host turns out to be a poor golfer. Then there are the real bribes (Woronoff 1986, Okumura 2000). Yet, more than anything, the bureaucracy is aided by the practice of *amakudari* (literally “descent from heaven”), which enable retired bureaucrats to move to the private sector and hold responsible and

prestigious positions as second careers. This enables leaders of industries and big businesses to cultivate intimate relations and establish a close-knit social network with bureaucrats. For example, the Japan Shipbuilding Industry Association routinely imports high-ranking officials of the Ministry of Transport to fill its top positions. The Japan Association of Pharmaceutical Organizations makes it a rule to have former officials of the Ministry of Health and Wealth as its leaders. These ex-bureaucrats are valuable assets for an industry; through them the business world can manoeuvre officialdom into the decisions it prefers. The other side of the coin is that bureaucrats know that they will be likely to end up occupying important positions in the corporate world, so see no harm in developing and maintaining congenial relations with representatives of the business world. Out of 1268 senior bureaucrats who retired from their Ministries in 2005, 553 of them (43.5%) went to work for the industrial associations and other business organizations. From 1999 to 2004, about 3,700 retired bureaucrats took up the senior position in the business sectors.³ The exercise of such informal instruments to politicians and bureaucrats indicate that Japanese firms do not hesitate to buy access to the policymakers and invest large sums of money to create favourable political environments for themselves.

Thirdly, Japanese firms' style of consultative lobbying involves a wide range of behind-the-scenes consensus building (*nemawashi*). In contrast to the EU practice, the Japanese consultative process is characterized by mainly top-down one way interaction, in which business actors are rather passive in terms of policy input contributions. This working style has deep roots in Japanese social norms and practices. This can be defined as a system of careful and thorough consultations, before a decision is arrived at by general consensus, to avoid open confrontation (Zhao 1993, Ohtsu and Imanari 2002, Kono and Clegg 2001). As discussed earlier, actions such as taking risks and initiatives, being assertive and inventive tend not to be rewarded within Japanese society which values harmony (Zhao, 1993). This tradition makes the Japanese uncomfortable with outspokenness in social gatherings, especially in a formal setting. The effect of these attitudes is evident at the negotiating table, where Japanese diplomats rarely make bold

³ National Personnel Authority Website: <http://ssl.jinji.go.jp/recognition/index.html>

moves or propose new initiatives, and where a change in the personnel of Japanese delegation rarely alters the complexion or dynamic of the discussions. In other words, individual contact and connection may be casual in the beginning and may not necessarily result in obligation. Nevertheless, as personal connection deepens, mutual obligations based on mutual interests begin to mount, and individual consultation becomes necessary. Contacts and mutual trusts can be established for all negotiating parties, and disputes can be solved quietly through compromise. In practice, the results of these behind-the-scenes activities often take the form of a Ministry giving advice, suggestions, instructions, and warnings to business interests, although these are without statutory basis. As there are many retired bureaucrats in business due to the widespread practice of *amakudari*, they often help to deal with the policy guidance provided by the Ministries (Sugimoto 1997). This indirect style indeed reflects Japan's traditional cultural emphasis on the importance of maintaining harmony among the Japanese as well as with foreigners.

As a result, the Japanese business-government relationship is extremely consensual. Many Japanese firms are rather eager to accept the policy guidance provided by politicians and bureaucrats at the negotiation table to avoid open confrontation. The idea of extensive consensus building often slows the process of coordinating positions within the policymaking process. Thus, the informal way of manoeuvring may sometimes provide mixed and uncertain messages externally, thereby creating confusion in communication with foreigners. As Japan's economy matures further, the society will advance in the direction of greater political pluralism. Popular demand for more active political participation is expected to continue to grow. Japanese politics will move more toward a more inclusive direction. Policy debate in open forums will become more frequent, and special interest groups will be more proactive and skilful, thereby increasing their political influence. Nonetheless, in the immediate future and for some time to come, most of the basic characteristics of Japanese business lobbying are unlikely to change drastically. Table 1 summarizes the patterns of business lobbying in the EU and Japan.

Table 2.1 Patterns of business lobbying in the EU and Japan

	EC/EU	Japan
<p>Organization of interest representation:</p> <p>How do individual business actors organize?</p>	<p>Direct representation</p> <p>Pan-European and sectoral organization</p> <p>Ad-hoc coalitions</p>	<p>Collective action through national and sectoral organizations</p> <p>Hardly any direct representation</p>
<p>Instruments:</p> <p>What methods and resources are available?</p>	<p>Consultation (both formal and informal) based on technical information</p> <p>Outsider strategies limited</p> <p>Lobbying on formulation and revision at supranational level</p> <p>Decision lobbying through national routes</p>	<p>Financial contributions</p> <p><i>Amakudari</i></p> <p>Informal consultation</p>
<p>Style of consultative lobbying:</p> <p>How do business actors express their demands?</p>	<p>Constructive</p> <p>Consensus-oriented</p>	<p>Passive</p> <p>Behind-the-scenes consensus building</p>

2.3 Previous studies of Japanese lobbying abroad

Japanese business lobbying in the EU is still a relatively new and much needed area of research in the discipline of public policy. There are a limited number of studies that focus on the roles of Japanese firms and their political capacities, such as in seeking strategic alliances and negotiating with other stakeholders. Most existing studies have tended to discuss the issue of how the government controls and administers the private sector in the context of FDI or trade policies (Mason 1997, Belderbos 1997, Gilson 2000). There are fewer that deal with the influence of firms' lobbying on public policy or which examine the evolution of Japanese business interest representation in the EU. In addition, many existing studies of Japanese lobbying abroad take their cases from US politics

(Yamada 1982, Shinoda 1989, Choate 1990, Katzenstein and Tsujinaka 1995), although some of the theoretical approaches in these studies are also relevant to the study of Japanese firms in the EU and deserve some examination as well.

2.3.1 US

Katzenstein and Tsujinaka (1995) considered the difference in the political strategies and tactics adopted by the American automobile and the Japanese electronics industries. They analysed the difference in how American firms typically pursue their political objectives in Japan and how Japanese firms typically proceed in the USA, in terms of the difference in domestic structures of both countries. In short, the Japanese government spends a great deal of money and effort trying to create a favourable public climate in the USA by investing in well-placed officials, many of them former members of the US government, who enjoy excellent access to key decision makers. The attention to image building and creation of a favourable public climate in America are distinctive features of Japan's transnational relations with the United States, which are rooted in both the constraints under which foreign lobbies operate, as well as the political importance of a favourable public climate in Japan's domestic politics (Katzenstein and Tsujinaka 1995). Japan's lobbies in the American policymaking process reflect some characteristics of America's domestic structure. Due to the weakness of the American party system, Japanese lobbies, in times of political need, target individuals, Congressional districts and individual states rather than national political institutions. Since the 1950s, Japanese institutions and firms have spent an enormous amount of time, energy, and resources in mastering the American political process (Hansen and Mitchell 2001). The network of institutional and individual contacts they have built is both deep and broad. This lobbying strategy also corresponds in part to the Japanese domestic lobbying pattern in which firms must informally cultivate political channels with bureaucrats, politicians and other stakeholders. It is claimed that there is little doubt that the Japan lobby in the United States is the largest and most effective foreign efforts to influence legislation, policymaking, and public attitudes in this country (Uchida 2000). With its American face, the Japanese lobby has become almost integrated into the fundamental structure of advice

giving, consultation and governance in Washington (Shinoda 1989, Katzenstein and Tsujinaka 1995). Several cultural characteristics of domestic structures, such as the Japanese decision-making norm of reciprocal consent and the American notation of liberal pluralism, are only partly embodied in explicit regulations, but constitute nevertheless powerful cultural norms which define appropriateness with regard to the way decisions should be made in the political system. Japanese firms' approaches to the US policymaking process are partly an extension of their own domestic experiences, as well as being shaped by the political setting of the USA.

The Americanization of Japanese lobbying is also confirmed in several other studies. For example, Shinoda (1989) investigated how the Japanese automobile industry lobbied the US government to ban the Domestic Content Bill in 1983. Similarly, Yoshimasu (2000) looked at the internationalization of the Japanese automobile and electronics industries in the US markets.

These findings may imply that the theoretical foundation, which focuses on the transformation of domestic lobbying patterns and convergence with the hosting environment, seems also relevant and applicable for the study of Japanese business lobbies operating in other area of the world. However, it goes without saying that the US policymaking process is very different to that of the EU; what works there has not necessarily worked in the past in Europe and may not necessarily even work in the present environment in the Single European Market.

2.3.2 EC/EU

In an EU context, there are some studies which look at the structure and actors of the European policymaking process in relation to Japanese business interests. Kewley (2002) analysed Japanese lobbying in the automobile industry since the 1970s and identified the gradual processes in which they have re-structured their lobbying strategies. According to his observations, there was no significant Japanese lobbying at the European level until the 1980s: Japan did not view the Community as a whole, but preferred to conduct trade bilaterally with its constituent parts; the member states or their domestic industries. Most trade between Japan and the EC was conducted bilaterally at

the member state level, whereby Japan agreed to accept Voluntary Restraint Agreements (VRAs) in its exports, or alternatively, export restraint was exercised by Japanese firms sectorally, known as Voluntary Export Restrictions (VERs). Thus, Japanese firms did not attempt to lobby the EC because their strategic trade objectives were being realized to a large extent through the acceptance of such agreements.

Yet since the 1980s, due to the severe economic conditions in the European market and Japan's aggressive export-oriented EC policies, the EC and some member states have become more hostile towards Japanese investment. Thus, it became increasingly important for Japanese firms to lobby to secure their policy objectives, and this was largely carried out indirectly through supportive member states, especially the UK, and in conjunction with the Japanese government and its Ministries, especially the Ministry of International Trade and Industry (MITI) (the Ministry of Economy, Trade, and Industry (METI) since 2001). On the issue of exports to the EC/EU, many decisions were at MITI's discretion: MITI handled negotiations to estimate European market growth, decided the scale of total Japanese exports, and allocated export quotas to individual firms. Under such conditions, the participation of Japanese automobile firms in MITI's policymaking process was not usually exposed to the public, in that their more important contacts were often held at an informal level (Ando 2005). Several studies have also been undertaken to examine troubled trade disputes between Japan and the EC during this period. For example, Belderbos (1997) dealt with various aspects of the internationalisation of Japanese electronics firms and the role of trade policies in shaping Japanese firms' trade and investment behaviour in the late 1980s and early 1990s. Similarly, Mason (1997) examined aggressive FDI patterns of the Japanese automobile and electronics industries in the European market and how they challenged and negotiated with EU institutions and firms to solve the trade related disputes. Abe (1999) claimed that automobile disputes symbolized the troubled trade relations between Japan and the EC in the 1980s, and focused on Japan's automobile trade policy towards the EC to understand this transnational negotiation, with special attention to the power relationship between the automobile firms and MITI. More generally, Gilson (2000) clarified the processes that have mediated Japan-EU political relations since the 1950s by

focusing on both the internal and external driving forces that have promoted change and development within this bilateral relationship over the past few decades.

These existing studies about Japanese firms in the EU provide some empirical understanding of their lobbying behaviours in certain sectors and policy areas. For instance, in the automobile sector, Japan and the EC signed an agreement in 1991 which stipulated that free trade in automobiles be completed by 1999 and set a transitional period to allow European manufacturers to adapt. Since the agreement, officials from the Japanese government and the Commission have held biannual meetings to control the flow of Japanese cars into Europe. Most case studies tend to set MITI as a key Japanese lobbying actor and argue that the accord of 1991 confirmed the role of MITI in trade control and, by avoiding commitment to restricting transplanted cars, the accord also allowed transnational development between Japanese firms and European actors. In addition, individual firms tended to rely on JAMA to express their opinions as a whole industrial sector rather than commenting independently on foreign trade issues.

In addition, the rapid increase in Japanese electronics firms' FDIs in the late 1980s and early 1990s created a series of similar trade disputes between Japan and the EC, concerning products such as colour televisions, videocassette recorders and compact disc players. That is, the EC have taken a range of trade policy measures since the early 1980s to protect the electronics industry, often specifically targeting Japanese firms. A voluntary export restraint was negotiated for Japanese VCRs in 1983. The most important instrument of trade policy has undoubtedly been antidumping. A wave of antidumping actions, concentrated in the second half of the 1980s, targeted Japanese electronics firms and often led to the imposition of duties. When the Japanese firms appeared to respond by investing in EC manufacturing operations in order to bypass antidumping measures, the EC amended its antidumping law to make it applicable to Japanese assembly plants as well. This amendment was effectively administered as local content rule. It was invoked seven times from 1987 to 1990. All cases involved Japanese firms, and five cases targeted electronics products (Belderbos 1997). Along with the creation of the European single market and increasing localization of Japanese FDIs in Europe, trade measures targeting Japanese firms in the 1980s, such as national quotas, local content rules, VERs and the discretionary use of rules of origins, were either abolished or severely restricted

in use by the GATT code. Thus, many of the trade policy-related concerns and requests that Japanese firms had were largely resolved by the early 1990s.

Since the mid 1990s, the EU has institutionalized its bargaining position with business and strengthened the competences of its regulatory power. This has created a policymaking process with a number of access points at EU level. Besides, Japan's inability to disengage itself from the long-term economic downturn has eased European anxiety and hostility over the seriousness of the competitive challenge once posed by Japan. The recession also brought about a revision of the role of the Ministries. That is, the Japanese government has become more concerned with bringing foreign investment into Japan, and consequently the Ministries' abilities to influence firms' European market strategies have been diminished to some extent (Hughes 2001, Kudo 2001). In other words, MITI's role in the EU, that is providing a framework for communication and consensus building between government and business, has been significantly reduced and the mid 1990s was a significant turning point for Japanese firms in the EU, as most trade disputes between Japan and the EC/EU were resolved by the early 1990s. The EU regulatory issues, such as environmental policy and safety standards, have become more important concerns for Japanese firms in the EU since the mid 1990s. Besides, the automobile accord expired in 1999 and this included the elimination of national restrictions, such as the French 3% registration limitation. Monitoring of automobile export levels was also completely abolished in 2000. Therefore, at face value at least, the EU market appears to have been liberalized.

Under such conditions, Japanese firms have become more proactive and tried to fully exploit policy channels. Many firms opened antennae offices in Brussels to monitor the EU affairs in the early 1990s, although firms and business organizations in Brussels still have strong budgetary or personnel links with the Ministries. Furthermore, the recent elite pluralist environment of the EU policymaking process has encouraged Japanese firms to establish several forums and organizations such as the EU-Japan Business Dialogue Round Table in 1995 and the Japan Business Council in Europe (JBCE) in 1998, although their policy successes have still been limited. With the creation of public affairs divisions in Brussels, staffed by those knowledgeable in the workings of the EU institutions, Japanese firms' lobbying campaigns may also be initiated directly with the

Commission or the European Parliament. It is pointed out that Japanese firms with a high profile in the EU, such as Toyota, Sony and Canon, are actively developing their own public affairs divisions and a localization policy is a primary factor in recruitment of personnel for these positions (Nakayama, Boulton and Pecht 1999, Takahashi 2001).

Belderbos (1997) argued that the Japanese manufacturing presence in Europe is still growing and firms are expected to continue investing at the slower pace. As Japanese subsidiaries become more established producers, they will increasingly be seen as insiders, and judged less on their owner's nationality. Nevertheless, the prevailing view of Japanese firms as outsiders is changing, although it is doubtful if such firms will ever become fully naturalized. Similarly, Kewley (2002) concluded that, by the end of the 1990s, many Japanese firms still remained manifestly Japanese, but at the same time they were able to exploit policy channels in the EU more fully, although it was still uncertain whether these newly found advantages would be utilized to the full.

From existing observations, the development of Japanese business lobbying in the EU can be roughly divided into two stages: from the mid-1980s to 1993 (pre-Treaty of European Union) and from 1994 to the present day (post-TEU). The first period of Japanese lobbying is largely characterized by the EU-Japan trade disputes, strong initiatives of Japanese Ministries and low associability and autonomy of firms, while the second period featured expanding EU regulatory competencies, and firms' growing awareness and efforts to blend into the European corporate landscape. This transformation of Japanese lobbying in the EU indicates that Japanese firms' strategies have become Europeanized to some extent and highlights their political capacities to learn and adjust to the hosting political environment. Although how much of the observed localization of Japanese lobbying can be attributed to the supranational nature of the EU and the difference in domestic structures between Japan and the EU still needs to be examined.

Moreover, most existing case studies are often too descriptive and tend to lack theoretical foundation in their analyses. That is, they do not systematically explain in detail why Japanese firms adapted certain lobbying strategies in a given situation, and how their policy preferences for particular lobbying channels are formed. Besides, most studies examine Japanese firms' lobbying strategies in the context of FDI or EU-Japan

trade disputes. Therefore, they consider the issues by mainly looking at state-level negotiations between the politicians and bureaucrats of Japan and the EU, and pay less attention to the firms' initiatives and policy preferences. As Japanese MNEs themselves become more important individual actors in a more interdependent international economy, their political capacities, such as seeking strategic alliances and negotiating with governments and other stakeholders, must be taken into account as ever more vital determinants of public policy outcomes in a changing EU order. Furthermore, as EU regulatory competences have strengthened in many policy areas, such as environmental issues, it is necessary to examine how Japanese firms have conducted lobbying in these new policy fields.

2.4. Conclusion

As many writers such as Coen (1997, 1998, 2003), Greenwood (2003), Jordan (2002), Mazey and Richardson (1993), Richardson (2000), and Mahoney (2007) have observed, many European and American firms appear to have established a sophisticated political capacity that allows them to develop new multilevel and ad hoc political alliances to maximize their interests. However, although many Japanese firms have been recognized as some of the largest in industries such as electronics and automobiles, hardly any Japanese lobbying has been observed and few studies examine whether, and if so how, Japanese firms have re-structured their political organization and developed credibility to adjust to the EU policymaking process. Instead, many existing studies of Japanese lobbying abroad take their cases from US politics (Yamada 1982, Shinoda 1989, Choate 1990, Katzenstein and Tsujinaka 1995) and, in an EU context, many studies were done on subjects such as Japanese FDI and business management and EU-Japan trade disputes. These studies do not primarily focus on Japanese firms' lobbying preferences for political channels and they do not examine the changing nature of Japanese business lobbies. Therefore, the limited relevance of previous studies to the constantly evolving EU policymaking process has necessitated a theoretical reassessment of Japanese lobbying.

Japanese firms are different from European and American rivals in many aspects. Needless to say, they have no member state to champion their concerns in the Council of Ministers, and are not used to direct lobbying due to the traditional Japanese business-government relationship. Japanese business interests are traditionally and institutionally intertwined with the policymakers, leading to a lack of direct lobbying among firms (Zhao 1993, Ohtsu and Imanari 2002). In short, Japanese lobbying is characterized by heavy reliance on national and sectoral organizations, financial and personalized instruments to access the policymakers, and passive and unconstructive negotiation manner in order to both maintain harmony and feed their views at the same time. In Japan, firms are not independent political actors within the policymaking process, and prefer lobbying through business associations.

In understanding the development of Japanese lobbying in the EU, the mid 1990s seems to be the turning point (Kewley 2002). Until the early 1990s, trade policies dominated EU-Japan transnational relations, and most negotiations to promote Japanese business interests were largely carried out by MITI. Under such conditions, firms and business organizations mainly lobbied member states and kept close contact with Japanese Ministries. By contrast, since the mid 1990s, as the EU regulatory competencies have expanded to a variety of policy areas and most of the trade disputes between the EU and Japan have been resolved, firms can no longer rely on the Ministries to secure their policy objectives and have had to become more proactive to feed their views in the EU. As we discussed, there has been a general consensus that large firms have become independent political actors and harmonized their lobbying pattern, creating a distinctive business-government relationship in the EU. Most EU lobbying studies treat large firms as a relatively homogeneous group in this process of Europeanization (Jordan 2002, Coen 1997), and do not pay enough attention to the national differences that may still remain significant to some extent. Europeanization does not fundamentally affect the ways in which Japanese firms relate to their national government. Their lobbying patterns are often a mixture of an adaptation of the hosting environment and an extension of the domestic experience (Risse 1995, 2003, Katzenstein and Tsujinaka 1995). There is no doubt that Japanese lobbying in the EU has undergone a substantial transformation over the years, but not much direct lobbying has been observed yet either. Despite widespread

FDI throughout Europe and their growing awareness of direct lobbying, it still remains to be examined to what extent Japanese firms have adjusted to the EU and whether there are any patterns in the process of the Europeanization of Japanese lobbying, in which firms have had to develop a relatively new concept of direct lobbying. In recognising both the Europeanization of lobbying practices among large firms and the embeddedness of Japanese firms in the concept of harmony, the next chapter will develop a theoretical model to explore these questions further.

3. Mechanism of Japanese lobbying formulation in the EU

The possibility was raised in the last chapter that Japanese firms are yet to conform to the EU lobbying style, which features firms' direct participation within the policymaking process, although they occupy a large share of the EU market in several major industries. Most studies of Japanese lobbying have concentrated on the state-level negotiations and descriptions of widening participation of firms into the EU market. However, there has been little research on the effect of institutional conditions which make up the logic of Japanese firms to choose particular modes of lobbying in the EU. One of the major lessons that has been drawn from the existing literature is the diversity and complexity of EU lobbying, which make reliable generalizations very difficult. While EU policies affect the ways in which business interests relate to their governments or EU institutions, it is not clear as what are the conditions that determine the degree of transformation of Japanese firms. Based on their information and technical expertise, large firms prefer direct lobbying to collective lobbying through European and national associations within the EU policymaking process. However, in Japan, business associations traditionally dominate the business lobbying scene and direct lobbying by individual firms is very rare. Firms extensively use financial incentives to influence policymakers instead of information.

If Japanese firms have fully adjusted to the EU policymaking process, they should demonstrate the same preferences for the form of interest representation and the instrument as European firms addressed by the existing theories of lobbying. We aim to explore whether the Western concept of elite pluralism can be applied to Japanese firms as non-European actors in the policymaking process. In other words, Japanese firms in the EU face two sequential decisions: whether to lobby individually or collectively and whether to use information or financial incentives as their instrument. We explore the mechanism of Europeanization of Japanese lobbying by focusing on these two choices that firms make in order to participate in the policymaking process. They are the dependent variables of our analysis.

As an explanatory effort, the aim of this study is also to identify the opportunities and constraints that make up the institutional logic of Japanese lobbying strategies in the

EU in pursuing a more Japanese or EU type of lobbying strategy. In recognizing that transformation of Japanese lobbying is not a uniform process and there is variation across sectors and firms, we develop a theoretical framework to study the interaction between the EU policymaking process and Japanese firms, and explain the institutional conditions that shape Japanese firms' lobbying strategies with different efficacy. There are several factors that shape the incentives of Japanese firms to get in touch with EU policymakers. These factors underpinning the Europeanization of Japanese lobbying are not mutually exclusive. The normative structure of business-government relations is not fully captured if one only focuses on organizational characteristics of political institutions. Therefore, we aim to work towards a more holistic model, recognizing that various streams of factors must be taken into consideration. Drawing on a number of resource dependency and institutional views, we argue that Japanese firms' lobbying strategy is shaped by the EU, sectoral and corporate factors. They are the independent variables of our analysis that affect the likelihood of specific political action being formulated by firms.

The first section of this chapter presents the theoretical foundations of the new framework to consider the Europeanization of Japanese firms and enduring national lobbying practices in the context of the EU tier of multilevel governance. In particular, it clarifies lobbying strategies regarding the form of interest representation and lobbying instrument. Most lobbying strategies can be understood in terms of two general dimensions: organization of interest representation and instrument. These two dimensions represent the mechanism of decisions firms make in formulating lobbying strategy. The second section identifies three sets of factors that appear to play a role in the decision of Japanese firms to shape their lobbying strategies and lays out the theoretical expectations about how these three groups of factors should influence Japanese lobbying in the EU. Examination of these points will also generate several specific and testable hypotheses about the mechanism of Europeanization of Japanese lobbying and enduring national characteristics, which produces particular behaviours and outcomes.

3.1 Dependent variable: Japanese firms' choice of lobbying mode in the EU

In order to provide a sound theoretical basis to investigate Europeanization of Japanese firms, it is important to stress that we focus on this issue primarily at the horizontal level of the EU policy formulation, as opposed to top-down or bottom-up perspectives. Japanese firms' lobbying strategy formulation in the EU policymaking process is our main focus. Recognizing that EU institutions have increased their regulatory competencies and that the process of business representation has taken on a very distinct logic at EU level, with the development of forums style business-government relationships, we explore how Japanese firms have reacted to those opportunities in diverse ways at the EU tier of a multilevel system. It is important to note that EU politics has matured over the years since the creation of single market and developed into a unique polity. At the start and end of the EU policymaking process, inter-governmentalists continue to argue that the Council of Ministers is the main focus of EU political activity. Yet, regardless of the unquestionable locus of power, we see limited direct lobbying activity at EU level via the Council Secretariat, Coreper, or via the Permanent representations (Coen 2007). Moreover, we can no longer see Europeanization of business lobbying in terms of bottom up management or top down coordination, but as a managed multilevel process with numerous feedback loops and entry points. In this sense, there is now a distinctive EU style of policymaking which distinguishes itself from member states' politics. It is reasonable to treat the EU as a unit of analysis comparable to other nation states, which embody unique sets of institutions, political culture, and policymaking mechanisms.

In addition, public policy analysis allows us to understand the process of Europeanization through unpacking the EU policymaking process to examine the interaction of policymakers and business interests. The public policy debate has developed a number of behaviourist assumptions for allocation to the EU as a political system (Hix 1999), as a regulatory state (Majone 1997), and as a system of multilevel governance (Marks et al. 1996, Streeck et al. 1997). As a result, there are now a number of actor-based studies of agenda-setting and advocacy coalitions at EU level (Coen 1998, Sabatier 1998, Mazey and Richardson 2001). These actor based approaches are complimented by a range of new institutionalist approaches that introduce structuring variables by focusing on the changing arenas in which these policy makers make their

decisions, and set their agenda (Coen 2003: 258). In addition, there are some studies which examine the impact of beliefs and norms on EU policymaking (Radaelli 2002), and draw on the methodological frameworks of constructivism and the sociological institutionalism (Powell and DiMaggio 1991).

As reviewed in the last chapter, Japanese firms in the EU are expected to adopt EU lobbying style as well as retaining some of their national characteristics with varying degrees. With regard to the ways in which European firms relate to their national governments (Schmidt 1996, Coen 1998, Greenwood 2003), many large firms are now able to bypass long established national lobbying channels in influencing European legislations and programmes although these national routes still remain useful. Yet, the applicability of such Europeanization to non-European firms still remains to be tested. Although it is claimed that many multinational firms are increasingly more ‘multi’ and less ‘national’ than in the past, this is not always true of Japanese firms. This is because formal government policies and informal administrative guidance, as well as social norms effectively embedded in the structure of business networks, have encouraged firms to consider and act in the national interests whenever and wherever possible (Zhao 1993; Yoshimatsu 2000; Ohtsu and Imanari 2002). In this sense, the underlying nationality of the firm may remain as the vitally important determinant of the nature of its lobbying strategy formulation. Fundamentally, nationality is given by the historical, institutional and ideological legacies of that experience.

In the following section, we develop a mechanism of lobbying strategy formulation wherein firms that have decided to be politically active face two sequential decisions; organization of interest representation and instrument. Those two critical decisions that Japanese firms have to make in the EU are essentially the dependent variable of our analysis.

3.1.1 Organization of interest representation: individual or collective lobbying?

The first decision a firm must make in formulating a lobbying strategy is its form of interest representation, whether to pursue political action alone or with others. As discussed in the previous chapter, Olson (1965) delineates two levels of participation that

individuals or interest groups may adopt when active in the policymaking process: individual and collective. Individual action refers to solitary efforts by individual firms to affect public policy. Collective action refers to the collaboration and cooperation of two or more firms in the policy process.

The definitions of individual and collective action are not always easy to apply in practice. Collective lobbying is defined as the investment of resources by individual firms and the bringing together of these firms in the collective pursuit of a common interest, which may result in selective or collective benefits. It is important that firms invest resources in this pursuit; without this level of commitment, it is not possible to describe their action as collective. Equally, they must be brought together in the sense of belonging to a movement and gaining membership of an organization, regardless of how formal the organization. This signals a commitment to an ongoing effort, irrespective of the motive for membership. As we have hinted already, organizations may be highly informal and ad hoc in nature. While federations of national associations and direct membership groups are well known types, recent years have seen the growth of collective structures in Europe which are not formal groups, but rather platforms, coalitions, and alliances linking different types of interests in various degrees of permanence. Informal groups have emerged primarily around large firms, and range from visible groups with a loose organization to privately organized ad hoc groups. Some are issue based, others are built around sectors, while others are cross sectoral. Pijnenburg (1998) notes that ad hoc coalitions are characterized by low levels of formalization and high levels of autonomy for the coalition's members, compared to formal organizations. They are established in the short to medium term for the duration of a single legislative or regulatory debate. While some issue coalitions may last longer, they remain a coalition of autonomous groups and do not establish their own direct membership or organizational structure. There is usually a coalition leader organizing the efforts of the members, regular meetings and joint lobbying actions such as joint letters, advertisements or press conferences. There are very often an official name for the coalition and a secretariat acting as the headquarters of the coalition (Berry 1989). Ad hoc coalitions are most often composed of different types of firms or associations representing different sets of interests. The concept of ad hoc coalitions should not be confused with Sabatier's (1988)

concept of advocacy coalitions, which is a much broader theoretical construct than a discrete set of groups that have organized themselves for a single issue fight.

For the purpose of our research, we define the concept of collective lobbying as lobbying through national business associations, and do not include ad-hoc coalitions in this definition. Rather, ad-hoc coalitions can be seen as part of direct lobbying strategies by firms. In other words, the mobilization of large firms results in the creation of ad hoc coalitions. This implies that successful firms have developed strategic political capacities to lobby directly or form an ad hoc coalition with other countervailing interest groups without relying on their national associations.

In an EU context, the Olson-style argument provides a micro-foundation for theories of elite pluralism or studies of the varying power of industry interests (Coen 1997, Jordan 1998). That is, both European and national business associations often fail to respond to the quickly changing and complex EU lobbying environment. Of course, there are still times when large firms do not want to take the lead on particular issues. For example, firms generally prefer that the industry associations speak out on European social policy matters. Sensitive issues can often be deflected to the association as opposed to the firms themselves. Yet, generally speaking, membership incentives for such traditional business associations have been reduced. As a result, firms have become more proactive and developed political capacities to utilize a wide variety of political channels either independently or collectively through ad-hoc alliances with other countervailing interests. Large firms in the EU are expected to prefer direct lobbying to traditional collective lobbying. Elite pluralism assumes that the preferred order of forms of interest representation in the EU is 1) individual firms, 2) European associations, and 3) national associations. As a result, the relationships between large European firms and their national actors are no longer the most defining factor of firms' lobbying practices at EU level. By contrast, Japanese firms heavily rely on national business associations for lobbying and direct action by firms is very rare in the Japanese business-government relationship. In order to maintain the corporate relationship among policymakers, business associations and firms, Japanese business interests have demonstrated several unique lobbying mechanisms such as *amakudari*, extensive use of behind-the-scene negotiation, and financial contribution to the ruling party.

If Japanese firms have fully adjusted to the EU policymaking process, they should demonstrate the same order of preferences for the form of interest representation as addressed by the existing theories of lobbying. Therefore, in order to investigate the degree of Japanese firms' adaptation to EU lobbying and applicability of elite pluralism to non-European business actors, we use firms' preferred form of lobbying, whether direct or collective through business associations, as the first dependent variable of our analysis.

3.1.2 Instruments: information or financial incentives strategy?

After a firm had decided to pursue lobbying individually or collectively, its next decision relates to the specific instruments it should employ. Many scholars interested in lobbying instruments have developed lists of specific strategies or tactics that firms may use to compete in the policymaking process. In the 1960s, sociologists developed exchange models for the study of inter-organizational relationships (Blau 1964, Levine and White 1961: 587). These models offer an interesting framework, which analyses the interaction between business interests and policymakers. According to these theories, the interaction of private and public organizations can be conceptualized as a series of inter-organizational exchanges. The organizations involved in the exchange make an implicit or explicit cost benefit analysis; on the basis of which they decide with whom to interact. The exchange relation is only likely to be durable when the exchange is reciprocal and both sides receive benefits from the exchange, which are equally distributed between the exchanging parties. Thus, exchange theory suggests two general or generic political strategies that firms and interest groups may target policymakers and use to compete in the policymaking process based on the fundamental resources exchanged: information and financial incentive (Hillman and Hitt 1999). The choice over information or financial incentive strategy largely depends on what kind of resource policymakers need the most. Firstly, those using the information strategy seek to affect public policy by providing policymakers specific information about preferences for policy or policy positions and may involve providing information on the costs and benefits of different issue outcomes (Aplin and Hegarty 1980). The target of this political strategy is the policymakers, and

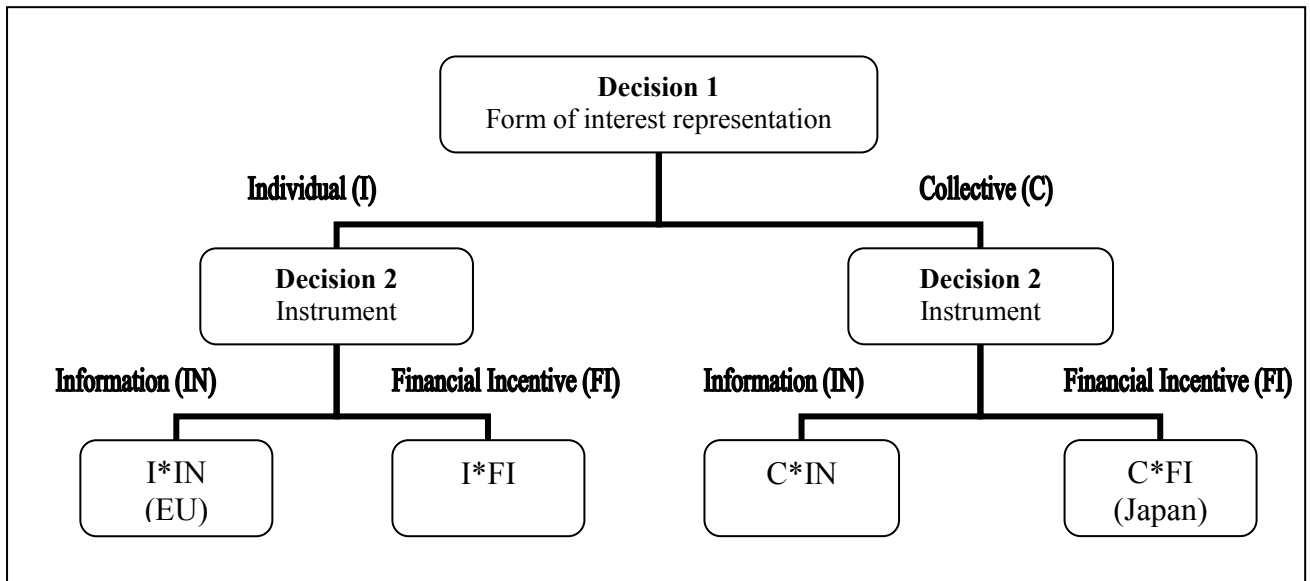
the good provided is information. Secondly, the financial incentive strategy also targets policymakers directly. Users of this strategy, which is called ‘direct pressure’ by Alpin and Hegarty (1980), attempt to influence public policy by directly aligning the incentives of the policymakers with the interests of the principals through financial inducements. This strategy includes such tactics as providing financial support, PAC contributions in the US, paid travel expenses or personal services, which involve having a representative of a firm in a political position, hiring personnel with direct political experience (Getz 1993). This category of political strategy is similar to that of ‘absorption’ described by Ring, Lenway, and Govekar (1990), in that these actions attempt to absorb a part of the external political environment into the firm, either by hiring or direct financial incentives. It is important to note that although lobbying instruments can be classed in one of two generic categories, the use of one lobbying strategy does not preclude the use of the other. Rather, a configuration of instruments may be used (Meyer, Tsui, and Hinings, 1993). A firm may use a combination of lobbying instruments in an attempt to enhance its competitive position in the policymaking process.

As discussed in the previous chapter, in the EU firms mainly exercise an information strategy to influence the policymakers, whereas in Japan firms mainly choose a financial incentive strategy, such as financial contribution to the ruling party and *amakudari*. This is due to institutional differences in the business-government relationships in the EU and Japan. If Japanese firms have fully adjusted to the EU policymaking process, they should initiate more of an information strategy than a financial incentive one. Therefore, in order to investigate the degree of Japanese firms’ adaptation to EU lobbying and applicability of elite pluralism to non-European business actors, we use firms’ preferred instruments, whether information or financial incentive strategies, as the second dependent variable of our analysis.

Overall, our model of lobbying strategy formulation is summarized in Figure 1. As discussed above, under the current elite pluralist political environment in the EU, large firms select individual lobbying (I), using information (IN) as their instrument to influence policymakers (IIN). By contrast, under the bureaucratic and mass inclusionary pluralist political environment in Japan, firms select collective lobbying (C), using

financial incentives (FI) as their instrument to influence policymakers (CFI). Yet, it remains to be examined how Japanese firms in the EU form their lobbying strategies.

Figure 3.1 Model of lobbying strategy formulation



3.2 Independent variables: Institutional, sectoral, and corporate factors

An analysis of institutional factors that are likely to influence the incentives of Japanese firms to choose and conduct certain types of lobbying is essential in order to systematically understand the Europeanization of Japanese lobbying. The business-government relationship is a subsystem of a more encompassing society, polity and culture. It is therefore assumed that the dynamics of the interaction between Japanese firms and the EU policymaking process cannot be studied without examination of the institutional factors. These can be classified into three categories: EU, sectoral and corporate factors. With reference to a number of actor-level theories of interest groups, examination of these institutional factors allows us to develop a series of hypotheses about an interactive mechanism between Japanese firms and the EU policymaking process.

3.2.1 EU institutional factors

The exchange model of Levine and White (1961) is closely related to the resource dependence perspective of Pfeffer and Salancik (1978). Whereas both theories emphasize the importance for organizations of exchanging resources, resource dependency focuses more closely on the ensuing interdependence between the interacting organizations (Pfeffer 1997: 63). According to the resource dependence perspective, organizations are not internally self-sufficient. They require resources from the environment and therefore have to interact with those organizations or groups in the environment who control the resources they need (Pfeffer and Salancik 1978: 258). An important consequence is that organizations become interdependent with those organizations with which they interact. This interdependence can lead to the development of attempts at inter-organizational influence. Firms' decisions regarding their form of representation and instrument are closely related to this resource dependency.

In the context of the EU policymaking process, resource dependencies matter because neither EU institutions nor interest groups can autonomously pursue and achieve their political goals. As discussed in the previous chapter, resource dependencies motivate interest groups and EU policymakers to exchange information and negotiate with their counterparts. Bouwen (2002) suggests that the 'access goods' of interest organizations account for the access patterns. He compares the access of three forms of organizations: firms, EU associations and national associations, claiming that these types of organizations deliver different 'access goods'. The argument centres on the kind of information that these organizations can provide. Supposedly, firms are best at delivering expert knowledge about market and technology, EU associations control information about the so-called 'encompassing European interest' of their members, and national associations command information about the 'encompassing national interest' of their members. To be more precise, large firms often have big R&D divisions and are therefore particularly good at expert knowledge. Yet, for most large European firms, it is difficult to claim to provide information about the European encompassing interest since only the individual firm is involved in the articulation of the interest. Associations are not as good as individual firms at providing expert knowledge because they have fewer resources and

have to deal with a wider range of issues. Because of their multilayered organization structure, they can be distant from the market reality. European associations are specialized in building consensus positions by channelling the different opinions of their members. This allows the European associations to present an encompassing European perspective on their sector and thereby provide good quality information about the European encompassing interest. The internal decision-making processes for building consensus are complex and negatively affect the efficient provision of access goods. National associations tend to enjoy good relations with their governments. They are specialized in bundling their member firms' needs and interests, which allows them to represent the national sector interest and to provide high quality information about the domestic encompassing interest. National associations have to deal with many policy issues and are therefore generalists rather than specialists. Like European associations, national associations tend to be not very good at providing expert knowledge.

In terms of demand for access goods, EU institutions have a varying degree of interests. The most desired information is something most critical for the fulfilment of their legislative role. The Commission is considered to be the most important point of contact for interest groups in the EU (Mazey and Richardson 2002: 135-136). The Commission plays a central role in the EU legislative process. The drafting of proposals takes place in the first phase of the policymaking process and requires a substantial amount of expert knowledge. Because of understaffing and severe budget constraints in the Commission, expert knowledge is the critical resource to obtain from interest groups for its legislative work. Besides, it is geared towards promoting common European interests, as well as promoting its own position. To play its role, the Commission needs information about the European encompassing interest and is not interested in the domestic encompassing interest. The Commission has a substantial interest in the European access good because it can help to identify common European interests (Bouwen 2002: 379).

In other words, the nature of policies is an important factor to influence the access pattern of business interests. If a policy deals with technical standards or the regulation of sophisticated products, such as pharmaceuticals, substantive expertise is very important. On the other hand, for policy that has a high level of political salience in the member

states, the Commission requires information on the preferences of relevant actors in several states (Broscheid and Coen 2007). Furthermore, with regard to nature of policy, emphasis on the intergovernmental or multilevel approach is still a function of the type of policy under discussion, that is to say, the degree to which a policy is regulatory, distributive, and redistributive (Coen 1998, Richardson 2001, Wallace and Wallace 2000: 199). Hence, on regulatory issues such as Environmental policy, the Commission can be seen to be taking a policy lead, but member states show a great reluctance to hand over redistributive powers, such as taxation, to the supranational level.

Although access is not equal to influence, the study of the access patterns helps to identify the features of different forms of business interests that assume crucial positions in EU policy networks, as well as important patterns of the EU business-government relationship. In short, resource dependency theory suggests that preferred orders of interest organizational form in the Commission are firstly individual firms, secondly European associations, and finally national associations. In addition, given that it is supposed to represent supranational interests but that its members are responsible to national voters, the European Parliament is mostly interested in the information provided by EU associations about the encompassing European interest, followed by the knowledge of national associations about their domain. However, Bouwen (2002) does not find empirical support for the hypothesized rank orders. According to his data, EU associations maintain more contacts with the Commission than firms, and these have more frequent access than national associations. His conclusion would be that the Commission depends more on the European encompassing interest than on economic and technical knowledge. Overall, it is clear that both firms and European associations enjoy better access to the Commission than national associations.

In a Japanese context, the more technical and complicated the policy is, the more likely Japanese firms are given access to the policymaking process since the level of resource dependency is high. Therefore, Japanese firms are likely to conduct more direct lobbying and less collective action through national associations. Alternatively, if the policy deals with few technical matters and concerns national interests, it is likely that Japanese firms are not given much access to the policymaking process, since the level of resource dependency is relatively low. Therefore, they are likely to conduct more

collective lobbying through national or European associations than direct lobbying. Thus we assert the following:

Hypothesis 1a: For technical and regulatory policy issues, Japanese firms are more likely to conduct individual lobbying than collective lobbying through national business associations.

Hypothesis 1b: For non-technical and redistributive policy issues, Japanese firms are more likely to conduct collective lobbying through national business associations than individual lobbying.

With regard to a firm's decision for the lobbying instrument, the key determinant is also closely related to the resource dependency and the nature of political institutions, irrespective of the form of interest representation. As discussed in the previous chapter, in the EU, financial incentive strategy is not the most effective lobbying instrument. Custom and law limit the scope for corporate donation, and in any case, the campaign costs of individual politicians are very low compared to the countries such as the USA and Japan. Besides, the personnel at the Commission frequently move from one department to another, reducing the risk of capture with interest groups.

In a Japanese context, the more technical and complicated the policy is, the more likely Japanese firms are given access to the policymaking process since the level of resource dependency is high. Therefore, Japanese firms are more likely to use an information strategy to influence the policymakers than a financial incentive strategy. Alternatively, if the policy deals with few technical matters and concerns national interests, it is likely that Japanese firms are not given much access to the policymaking process, since the level of resource dependency is relatively low. Therefore, Japanese firms may try to buy the political influence through a financial incentive strategy. Thus, we assert the following:

Hypothesis 2a: For technical and regulatory policy issues, Japanese firms in the EU are more likely to use an information strategy to influence the policymakers than a financial incentive strategy.

Hypothesis 2b: Hypothesis 1b: For non-technical and redistributive policy issues, Japanese firms are more likely to use a financial incentive strategy to influence the policymakers than an information strategy

3.2.2 Sectoral factors

Each industrial sector has its own institutional characteristics and they are also important determinants that influence the potential for lobbying strategy formulation. To be more precise, the ability to gain support for issues may be affected by the fragmentation in society (Coleman 1988). Generally speaking, in more pluralist structures, the institutional arrangements result in a variety of interests coming into play in the policy arena (Hayes 1992), resulting in a fragmentation of political and economic power (Vogel 1996). Insiders can be simply actors that are frequently consulted or actors that are actively involved in bargaining and policy negotiation or in the implementation of policy solutions (Grant 2004). Such insider and outsider division can be found in a sector as well. In other words, the formation of lobbying strategies in the policymaking process is also affected by the institutional setting of the sector. That is, for outsiders or those who are relatively new to the sector, the opportunity to affect public policy on specific issues in systems with predominant actors is more limited than in systems that open to individual special interest group pressure and that have a greater probability of developing negative sum or zero-sum policies.

In the political process of a pluralistic environment, interest groups and firms do not have to compromise with other groups. The policymakers may write or vote for policy that represents a compromise among their constituents, but the actual groups do not have to reach consensus across a variety of issues. A more pluralistic institutional environment creates the incentive for groups and firms to assert their own interests on specific issues in the political process (Murtha and Lenway 1994). The competition

among interest groups in a more pluralist political environment is constantly changing, thereby presenting opportunities for firms to act selectively. Thus, the likelihood of firms participating individually in politics is greater in a more pluralist environment (Hillman and Keim 1995). Owing to the limited opportunity structure, firms in a less pluralist industrial sector will choose to participate in the policymaking process collectively rather than individually.

Sectoral factors also affect a firm's decision for the lobbying instrument. To be more precise, a sector's degree of product diversification is crucial. Firms in a single product or narrow product diversified sector inevitably have a narrower focus on political issues because they are concerned with limited industry domains (Hoskisson and Hitt 1990). Therefore, it is hard for firms in such sectors to find a policy niche and outweigh their rivals by proving information to the policymakers.

In an EU context, while pluralism, elite-pluralism, corporatism, and their variants represent high-level theories of entire political systems, a number of meso-level approaches have focused on the inclusiveness of interest representation at the sub-system level, particularly the distinction between insider and outsider lobbyists (Broscheid and Coen 2003, Grant 2004). Depending on their level of exclusivity, such sub-systems have been characterized as iron triangles (Freeman 1965), subgovernments (Jordan and Richardson 1979), issue networks (Helco 1978), or advocacy coalitions (Jenkins-Smith and Sabatier 1994). Although the term 'European market' may imply a single uniform entity, in reality it contains a variety of industrial sectors, each with a different set of characteristics. That is, business lobbying in the EU is characterized by sectoral differences, and each sector can be seen as a big policy system of interest representation, consisting of a number of competing interest groups. Although the Commission attempts to be open and transparent in its interaction with business interests, nevertheless a core of insiders is often established within a sector. In this context, the insider-outsider model provides an important insight into European lobbying, by connecting the system-level theory with an explicit actor-level foundation (Broscheid and Coen 2003). Within a policy system, there is often a significant divide between relatively few groups with privileged status and a greater number of groups who find themselves consigned to less influential positions. Many groups are granted access to decision makers, however few

have a significant influence over substantive policy outcomes. Access merely leads to consultation, while privileged access leads to bargaining and negotiation (Maloney, Jordan, and McLaughlin 1994). This insider-outsider division in a sector can be explained by the nature of policies being drafted (Broscheid and Coen 2007) as we already explained for the EU factors. However, it is also rooted in a sector's fundamental institutional settings. Fragmentation in a sector can be explored in terms of power relationships in the sector. Firms are aware of the strength of their position relative to their rivals. That is, the power relationship in a sector is mainly related to the presence of dominant European rivals, which leaves little room for Japanese firms to blend into the sector on equal terms. In other words, the less hostile the sector is towards Japanese firms, the easier it is for them to blend into the policymaking process. Thus we assert the following:

Hypothesis 3a: In a sector with a lower number of dominant European rivals, Japanese firms are more likely to conduct individual lobbying than collective lobbying through national business associations.

Hypothesis 3b: In a sector with a higher number of dominant European rivals, Japanese firms are more likely to conduct collective lobbying through national business associations than individual lobbying.

Similarly, the presence of predominant actors in a sector relates to a firm's lobbying instrument. Core insiders tend to dominate the information flow in a sector, leaving little opportunity for Japanese firms to utilize their technical expertise. In addition to the insider and outsider division, a sector's product diversification is also important in a firm's decision for the lobbying instrument. In a sector with wide product diversification, Japanese firms can also spot policy niches, develop specialized political knowledge and form relationships with policymakers within their domains of interest. However, firms in a narrow product diversification may not have the opportunity to outshine their strong rivals by using an information strategy because the scope of

required information is very narrow. Under such conditions, firms may choose to use a financial incentive strategy to influence the policymakers. Thus, we assert the following:

Hypothesis 4a: In a sector with more product diversification, Japanese firms are more likely to use an information strategy to influence the policymakers than a financial incentive strategy.

Hypothesis 4b: In a sector with less product diversification, Japanese firms are more likely to use a financial incentive strategy to influence the policymakers than an information strategy.

3.2.3 Corporate factors

Organizational resources should play a role in the decisions of lobbying strategy formulation. Resource mobilization theorists emphasize the importance of resources in interest mobilization (McCathy and Zald 1978, Cress and Snow 1988). Individual action loads all costs directly on the participating firms, whereas in collective action, such as national business associations, the cost of political action is shared among members (Olson 1965). Larger firms with more slack resources and dominant firms in an industry often prefer individual rather than collective actions. They have the requisite resources for individual action, and such independent action may allow them to affect a government policy that best favours the firm. Some firms may also have more intangible resources. For example, firms with experience influencing public policy have knowledge about the process that firms without such experience are unlikely to have. Firms with this knowledge are more likely to act independently whereas firms without such knowledge may feel it necessary to act collectively.

Overall, firms with fewer resources favour collective action. Collective action should provide a more forceful voice than any one firm, assuming constrained firm-level resources. Regardless of the dues structure for business associations, member firms pool their resources, resulting in lower per-firm costs of political action (Chong 1991). Instead of each firm monitoring the political process and attempting to influence this process

alone, the business association performs these functions in a collective manner, thereby creating economies of scale. Member firms also collectively pool their knowledge which should enable them to capture synergies or other intangible resources by integrating their knowledge bases.

Organizational resources also affect a firm's decision for the lobbying instrument. In other words, credibility is a resource that affects the success of informational lobbying (Boddewyn 1993, Boddewyn and Brewer 1994, Hull 1993). To have influence, information providers must be perceived by policymakers as credible. In addition, Sethi (1982) found that the most important determinant of success in lobbying was the reputation of the source. In order to develop such credibility, large firms often have big R&D divisions and are therefore particularly good at expert knowledge. Thus, credible firms have an advantage over less credible firms using an information strategy.

In an EU context, corporate factors refer to firm-specific variables such as size, technological asset, market share and experience in the European market. In other words, the capacities of interest organizations have an effect on their access to the policymakers. It is trivial to state that not all firms are equally well equipped to take political action at EU level (Eising 2007). Even within the same industrial sector, variation in the Europeanization of Japanese firms may exist for a number of reasons, including differences between firms in terms of size, human asset specificity, managerial competence and the nature of entrepreneurship. Indeed, some firms have appeared to be able to generate more political capital than others within the same sector. The importance of resources in interest group mobilization and advocacy efforts are often pointed out (Cress and Snow 1998; Mahoney 2007). In order to mobilize for a policy debate, resource poor groups need to identify resource sources and spend resources conservatively. Wealthy groups on the other hand do not face the same type of hurdles to mobilize. As an issue rises on the agenda, resource rich interest groups can more easily conduct lobbying to participate in the policymaking process without having to rely on likeminded interests. Having set out the EU and sectoral institutional settings in which Japanese firms develop particular lobbying strategies, we should also note that these strategies involve corporate resources. In observing business lobbying, it is often overlooked that the take-up of a political channel or certain strategy is a function of costs and benefits as well. The reality

is that firms of all sizes face internal budget constraints and public relations and government affairs departments are the first to get cut back in a recession. To a large extent, a firm's dependence on associations and its capacity to act individually at EU level is determined by its size (Coen 1997, 1998). Small firms tend to rely on associations to represent their interests because they do not have the resources to sustain substantial public affairs capacities. Because of lack of individual investment power, they must unite to gain political clout.

Therefore, the reason why a particular Japanese firm is pursuing a more direct or collective type of lobbying strategy may sometimes be best understood by enquiring explicitly into not only the supranational and concerned sectoral factors but also corporate specific factors. In other words, some Japanese firms may simply possess more lobbying resources and experience than others. These firms are naturally more likely to be able to pursue a European style of lobbying. We use size and length of presence in the EU as proxies for resources and test whether corporate factors influence the decisions of Japanese firms to adopt certain types of lobbying patterns. We assert the following:

Hypothesis 5a: Resource rich Japanese firms are more likely to conduct direct lobbying than collective lobbying through business associations.

Hypothesis 5b: Resource poor Japanese firms are more likely to conduct collective lobbying than direct lobbying.

It is clear that large firms control substantial resources that allow them to act unilaterally and turn themselves into relevant policymakers in the EU. Besides, the economic and technical knowledge of large firms is often closer to the market than that of business associations. Thus, the Commission now works with directly with a number of firms to find solutions for the problems plaguing industrial sectors. Therefore, resourceful Japanese firms may find it easier to conduct an information strategy than those firms without sufficient resource. In addition, given these indicators of the importance of credibility in informational lobbying, those Japanese firms that lack the resources to conduct an information strategy may choose a financial incentive strategy, such as hiring

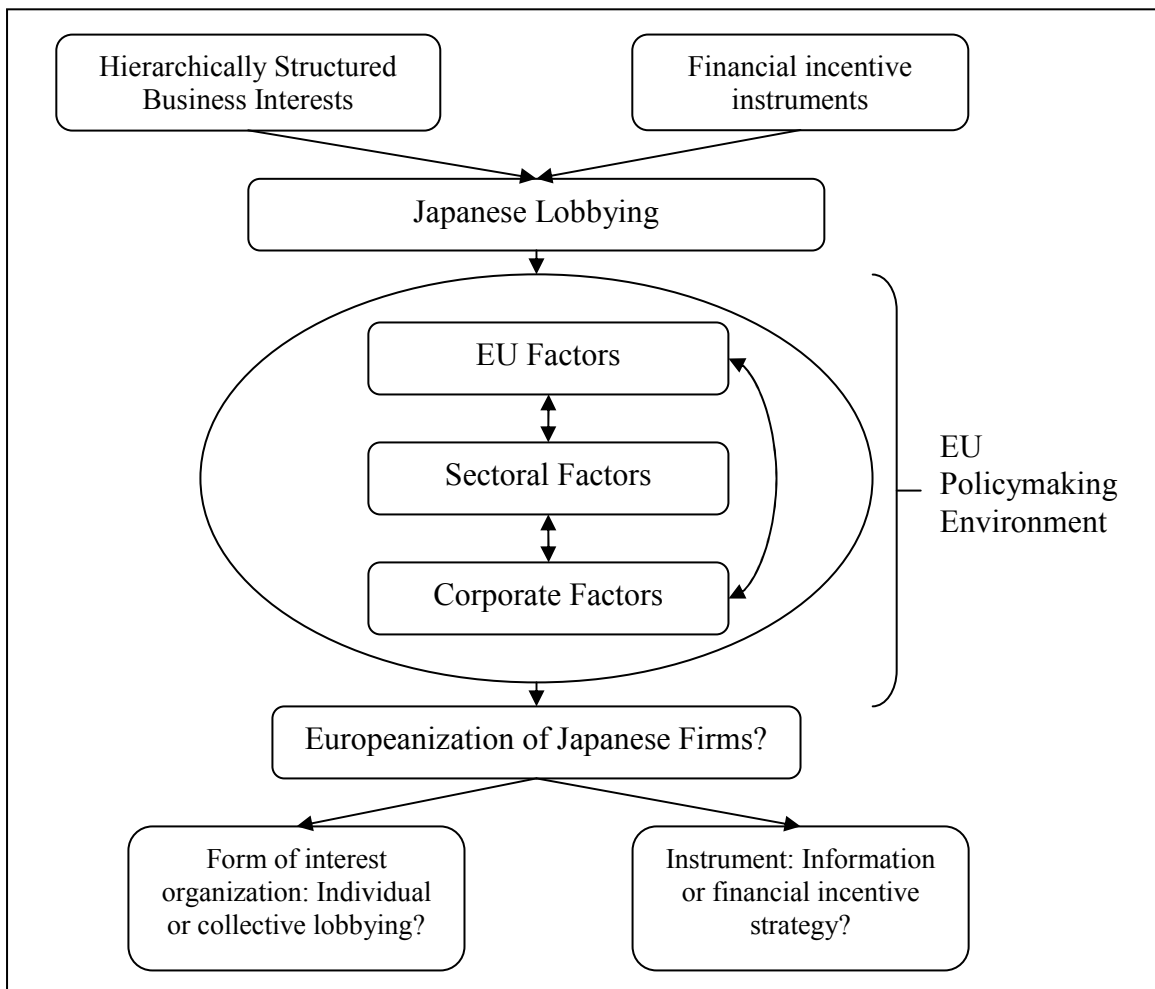
personnel with direct political experience in order to compensate for their lack of resources. Thus, we assert the following:

Hypothesis 6a: Resource rich Japanese firms are more likely to use an information strategy than a financial incentive strategy.

Hypothesis 6b: Resource poor Japanese firms are more likely to use a financial incentive strategy than an information strategy.

Figure 2 summarizes the interaction between Japanese firms' lobbying formulation and the EU policymaking process.

Figure 3.2 Factors affecting the formulation of Japanese lobbying strategy



3.3 Conclusion

It is a challenge to develop theoretical ideas in the field of European interest politics, which is known for its diversity and complexity. In this chapter, an attempt was made to develop a model of lobbying strategy formulation in order to study the Europeanization of Japanese firms. Lobbying strategies involve a set of decisions for firms. The first decision of whether to lobby individually or collectively through business associations is theoretically pinned down by the logic of collective action (Olson 1965, Oliver 1993, Jordan 1998) while the second decision of whether to use an information or financial incentive strategy is drawn from exchange models (Blau 1964, Levine and White 1961).

Our investigation of lobbying strategy formulation helps us understand the impact of increasing European integration upon non-European business actors in the EU. Recognizing that many large European and American firms have become independent political actors (Coen 1997, 1998; Richardson 2000; Jordan 2002), our analysis assesses whether the Western concept of elite pluralism could be applied to Japanese firms as non-European actors in the policymaking process. To be more precise, large firms prefer direct lobbying to collective lobbying through European and national associations within the EU policymaking process, based on their information and technical expertise. It is claimed that many multinational firms are increasingly more 'multi' and less 'national' than in the past (Cowels 1998; Jordan 2002). However, this is not always true of Japanese firms. In Japan, business associations traditionally dominate the business lobbying scene and direct lobbying by individual firms is very rare. Firms extensively use financial incentives to influence policymakers instead of information. This is because formal government policies and informal administrative guidance, as well as social norms effectively embedded in the structure of business networks, have encouraged firms to consider and act in national interests whenever and wherever possible (Zhao 1993; Yoshimatsu 2000; Ohtsu and Imanari 2002). In this sense, the underlying nationality of the firm may remain as the vitally important determinant of the nature of its lobbying

strategy formulation, and be much more persistent in the face of Europeanization than existing studies generally assume.

If Japanese firms have fully adjusted to the EU policymaking process, they should demonstrate the same preferences for the form of interest representation and the instrument as European firms addressed by the existing theories of lobbying. As an explanatory effort, with reference to resource dependency, insider and outsider model, and organizational resource, we also proposed a set of EU, sectoral and corporate factors that are likely to affect a firm's choice for the form of interest representation and instrument. The interaction of these variables in the EU forms the central connecting thread of this study, and has generated a set of testable hypotheses for empirical testing in the subsequent chapters. In other words, the goals of our theoretical framework are twofold. One is to clarify to what extent Japanese firms have adopted to the EU policymaking process by focusing two aspects of their lobbying strategies: form of interest representation and instrument. The other is to identify the opportunities and constraints that make up the institutional logic of Japanese firms to transform their lobbying strategies.

This proposed framework needs to be confronted with the empirical reality. Thus, in the next chapter, on the basis of the discussion so far and hypotheses regarding the firms' lobbying strategy formulation, we will outline the methodology of our case studies of Japanese automobile and electronics firms in the EU.

4. Methodology

Having identified current debates in the study of the EU policymaking process and set out the theoretical approach of our research, this chapter explains the methodology to test the hypotheses and systematically analyse the Europeanization of Japanese lobbying. The distinctive contribution of our research is the investigation of the Europeanization of Japanese firms by focusing on their lobbying strategy formulation and embeddedness in national lobbying practices. The detailed case studies of Japanese firms in the EU provide the empirical evidence for our investigation. Yet, before zooming in on these specific cases, we shall clarify our research design. The research design is the logical sequence that connects the empirical data to a study's initial research questions and, ultimately, to its conclusions. It guides the researcher in the process of collecting, analyzing, and interpreting observations. It is a logical model of proof that allows the researcher to draw inferences connecting casual relations among variables under investigation (de Vaus 1996, Yin 2003).

In the first section of this chapter, we discuss the selection criteria of four case studies which will be explored in depth in the following three chapters; automobile trade policies during the late 1980s and early 1990s, electronics trade policies during the same period, the End of Life Vehicle Directive of 2000, and the Waste Electronic and Electrical Equipment (WEEE) and Restrictions of the use of certain Hazardous Substances in electrical and electronic equipment (RoHS) Directives of 2003. The particular selection of these industrial sectors, time periods, and policies for the case studies will be explained in relation to their relevance to the study of the Europeanization of Japanese lobbying. In each case study, the empirical focus consists of Japanese firms' lobbying strategies regarding the form of interest representation and the instrument, as well as examination of the impact of EU, sectoral, and corporate factors upon their strategy formulation.

The second and third sections explain our data collection, sample, and measures. The key methodological objective is to highlight the longitudinal transformation of Japanese lobbying strategies from the late 1980s to the early 2000s, and draw comparisons between automobile and electronics sectors. Therefore, as an analytical

method, we adopted a case study approach based on 30 detailed interviews with stakeholders in Brussels and Tokyo, supplemented by available publications and statistics as secondary sources of information. In addition to the attention given to these individual sources, several measures to clarify the links between the questions asked, the data collected, and the conclusions drawn are introduced in this section. Nominal comparison across cases is adopted for our level of measurement.

4.1 Case Study Selection Criteria

The case study is but one of several ways of doing social science research. Other methods include experiments, surveys, and the analysis of archival information. A case study is an empirical inquiry that investigates a contemporary phenomenon within its real life context, especially when the boundaries between phenomenon and context are clearly evident (Yin 2003: 12). It is also described as an intensive study of a single unit with an aim to generalize across a larger set of units (Gerring 2004: 341). A case study relies on multiple sources of evidence, with data needing to converge in a triangulating fashion, and benefits from the prior development of theoretical propositions to guide data collection and analysis. In other words, the case study as a research strategy comprises an all-encompassing method covering the logic of design, data collection techniques, and specific approaches to data analysis. It has a distinctive advantage when a “how” or “why” question is being asked about a contemporary set of events, over which the researcher has little or no control (Yin 2003). Case study research includes both single- and multiple- case studies. Multiple case studies have distinctive advantages in comparison to single case studies. The evidence from multiple cases is often considered more compelling, and the overall study is therefore regarded as being more robust. If the cases offer contrast situations and subsequent findings support the hypothesized contrast, the results represent a strong start towards theoretical replication, vastly strengthening the external validity of the findings compared to those from single case studies alone.

Therefore, as an analytical method to test our hypotheses, a multiple case study approach based on detailed interviews and existing publications is preferred to either

econometric or survey research. A quantitative econometric approach has the advantage of a large sample size but it is unable to treat non-quantifiable determinants of business lobbying in the EU. A survey approach can theoretically treat a relatively large number of samples and incorporate non-quantifiable factors. However, such an approach generally confronts poor response rates and diplomatic responses, often leading to both a much smaller and unrepresentative sample. A case study approach based on interviews, questionnaires, and secondary materials is more likely to highlight the political, social and cultural dimension of Japanese lobbying. By comparing the lobbying processes over two different periods, pre- and post-TEU, and between two different industries, automobile and electronics firms, we can identify patterns that the other two approaches miss. Therefore, in each case study, we conducted a series of interviews with major stakeholders, including Japanese firms, Japanese business organizations, the Ministries, EU institutions and rival European/American firms and organizations. Japanese firms and business associations are the prime unit of our analysis. Information about their lobbying strategies constitutes the main focus of each case study, supplemented by information about other stakeholders.

The major problem of the case study approach is the relatively small sample size which, while making it more difficult to generalize (Lijphart 1971, Mahoney 2000), is unavoidable given the necessary depth of investigation. Moreover, the particular selection of cases may strongly influence findings, such that our results may not be consistent with the finding that would emerge if a more representative sample had been considered (Geddes 1990). In other words, the deliberately micro nature of this research, a handful of Japanese firms in two industrial sectors over two time periods, inevitably results in the exclusion of, or at least cursory attention devoted to other important issues, themes, and actors. For example, there are Japanese multinational firms in other sectors, such as banking and insurance, and chemical to name a few, who are also at the vortex of interaction between Europeanization and domestic structures. However, our prime intention to use a descriptive analysis has, out of necessity, excluded other firms and sectors from the research. Besides, the contexts of our case studies are likely to differ to some extent. If under these varied circumstances we still can arrive at common

conclusions from the cases, they will have immeasurably expanded the external generalizability of our findings.

The particular selection of the case studies has, nevertheless, to be justified in relation to their relevance to the study of the Europeanization of Japanese firms. There are several criteria behind selecting them in regard to sectors, timeframes and policy areas. The empirical analysis in this study consists of four case studies to provide the evidence to test the validity of our hypotheses. As summarized in table 4.1, Chapter 5 looks at trade policies for automobile and electronics firms from the late 1980s to the early 1990s, Chapter 6 at automobile firms and the ELV Directive of 2000, and Chapter 7 at electronics firms and the WEEE/RoHS Directives of 2003.

Table 4.1 Case studies

	Mid 1980s – 1993	1994 – 2003
Automobile Sector	Chapter 5: Trade policies (VERs, antidumping, local content rules, etc)	Chapter 6: The ELV Directive
Electronics Sector	Chapter 5: Trade policies (VERs, antidumping, local content rules, etc)	Chapter 7: The WEEE/RoHS Directives

4.1.1 Automobile and electronics sectors

The firms selected for the case studies are in the automobile and electronics industries, which are the two most internationally oriented sectors of Japanese industry and were the object of significant protectionist measures in Europe in the 1980s. Japanese foreign direct investment (FDI) into the EU has increased since the mid 1980s and now counts for more than 20% of total Japanese overseas FDI. The EU is the second most favoured location of Japanese firms after the USA accumulating about 40% of their overseas investment (McCargo 2000). The automobile industry is dominated by relatively few large corporations. The biggest of these by annual production are Toyota, General Motors and Ford Motor. In 2005, 67 million automobiles (cars and light trucks)

were produced worldwide. In 2006, 16 million new automobiles were sold in the US, 15 million in Western Europe, 4 million in China and one million in India.⁴ The electronics industry covers a wide range of products. In this study, we mainly refer to consumer electronics and equipment. Consumer electronics are most often used in entertainment, communications and office productivity. Some products classed as consumer electronics include personal computers, printers, telephones, audio equipment, televisions, calculators, office equipment, and playback and recording of video media such as DVD or VHS. Popular brands of consumer electronics include a wide range of European, American, and Japanese based companies including Philips, Ericsson, Nokia, IBM, Hewlett-Packard, Sony, Panasonic, NEC, Canon, and others.

Table 4.2 The world’s top fifteen automobile companies (2006)

Ranking	Company	Country	Assets	Profits (\$ billion)
1	General Motors	USA	193.51	2.80
2	DaimlerChrysler	Germany	176.68	3.06
3	Toyota Motor	Japan	172.61	10.89
4	Ford Motor	USA	172.23	3.48
5	Volkswagen	Germany	110.64	0.84
6	Honda Motor	Japan	80.48	4.52
7	Nissan Motor	Japan	79.80	4.76
8	Peugeot	France	70.64	1.68
9	Fiat	Italy	59.97	-1.97
10	BMW	Germany	55.14	2.76
11	Renault	France	50.64	4.41
12	Robert Bosch	Germany	49.75	1.95
13	Hyundai Motor	Korea	46.35	1.47
14	Delphi	USA	28.70	-0.03
15	Volvo	Sweden	28.64	1.27

(Source: http://money.cnn.com/magazines/fortune/global500/2006/industries/Motor_Vehicles_Parts/1.html)

Both automobile and electronics firms constitute one of the most important aspects of Japanese business community and have developed the most fully-fledged European operations of all Japanese manufacturing sectors. These firms include SONY,

⁴ International Organization of Motor Vehicle Manufacturers (OICA): <http://www.oica.net/>

Panasonic, NEC, Fujitsu, Toyota, Honda, and Nissan, to name a few. These firms account for a large chunk of world output and are deeply integrated in the tissue of the international manufacturing economy. For example, there are nine Japanese automobile manufacturers that produce and sell vehicles and automotive components in Europe and they count for approximately 11% of the European automobile market.⁵ Similarly, Japanese electronics firms operate more than 180 manufacturing affiliates in the EU.⁶ In this sense, both Japanese electronics and automobile firms are well established and have become some of the main commercial actors in the European market in terms of sales, capital, R&D investment, employment and global reach. Table 4.2, 4.3 and figure 4.1 highlight the strong presence of Japanese automobile and electronics firms in the global and European markets. Therefore, they are the prime examples which are subject to transnational convergence of lobbying practices. In terms of product diversification, the electronics sector deals with a wider range of products than the automobile sector. While the automobile sector essentially concerns itself with automobiles and their components, the electronics sector involves a number of products ranging from small household appliances to industrial machinery.

Table 4.3 The world's top fifteen electronics hardware and equipment companies (2005)

Ranking	Company	Country	Assets	Profits (\$ billion)
1	IBM	USA	109.18	8.43
2	Hewlett-Packard	USA	75.14	3.50
3	Nokia	Finland	29.91	4.35
4	Cisco Systems	USA	33.83	5.39
5	Sony	Japan	85.14	0.85
6	Dell	USA	23.22	3.04
7	Motorola	USA	30.71	1.54
8	LM Ericsson	Sweden	24.26	2.80
9	Matsushita (Panasonic)	Japan	67.54	0.40
10	Fujitsu	Japan	36.17	0.48
11	Sharp	Japan	20.31	0.58
12	NEC	Japan	34.78	0.39
13	Toshiba	Japan	39.15	0.28
14	Alcatel	France	25.83	0.38
15	Lucent Technologies	USA	16.69	1.84

(Source: www.forbes.com)

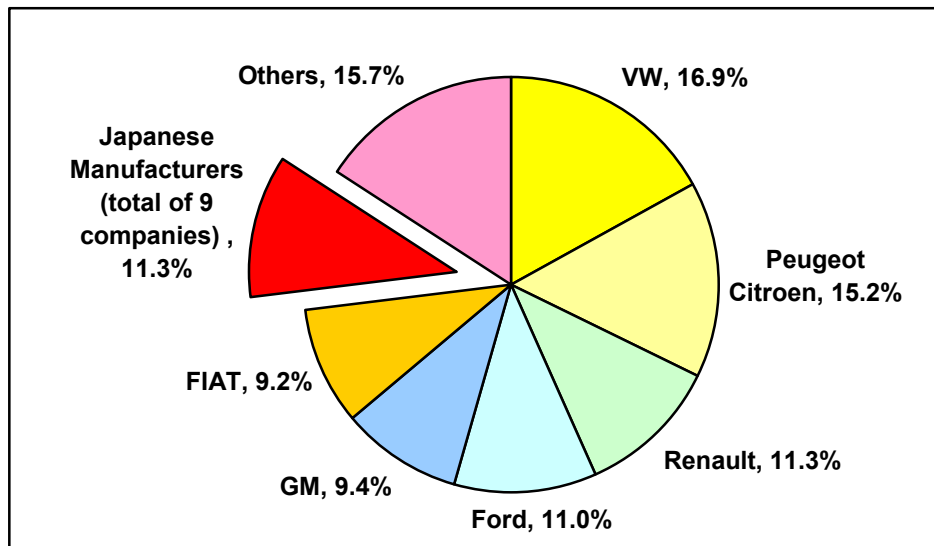
⁵ Japan Automobile Manufacturers Association, JAMA annual report

⁶ Japan External Trade Relations Organization, JETRO Report: Survey of the operations of Japanese affiliated manufacturing

While Japanese firms in both automobile and electronics sectors have come to embody significant market force in the global economy, their surrounding lobbying environments in the EC/EU show an interesting mix of similarities and differences. Trade policies between the late 1980s and early 1990s symbolized the troubled EC-Japan relations. Both Japanese automobile and electronics firms were subject to a range of trade policy measures such as the Voluntary Export Restraints (VERs), antidumping, and local content rules. Under such conditions, they had to generate political capital and lobby the EC to influence its trade policies to their own benefits for the first time. During this formative period of Japanese lobbying in the EC, Japanese firms in both sectors faced similar trade barriers.

Since the Treaty of European Union, many trade barriers have been removed. As a result, it has become clear that lobbying environments surrounding Japanese automobile and electronics firms show some clear differences. That is to say, due to the presence of predominant European firms, Japanese automobile firms still struggle to participate in the policymaking process on equal terms as other firms. For example, European Automobile Manufacturers Association (ACEA), established in 1991, has become the most powerful pan-European automobile business association, representing the interests of thirteen automobile manufacturers with European plants, including two major American firms, Ford and General Motors. Through its specialist working groups and extensive network of individual experts from member companies, ACEA is able to provide a high level of technical expertise as an input to the EU policymakers. However, ACEA does not include any Japanese firms, and so they are forced to continue as a separate lobby. Therefore, Japanese automobile firms only have their national business association, Japan Automobile Manufacturers Association (JAMA), to represent their collective views at EU level. JAMA was established in 1967, and includes fourteen Japanese manufacturers, nine of which produce and sell their products in Europe (Daihatsu, Subaru, Honda, Isuzu, Mazda, Mitsubishi, Nissan, Suzuki, and Toyota), and one American firm (GM). Although JAMA and individual Japanese firms are actively involved in a number of policy fields, there is no doubt that ACEA has been the most powerful business lobby within the EU policymaking process.

Figure 4.1 European Automobile Market 2002



In contrast, many Japanese electronics firms are members of several pan-European industrial associations. For example, Canon, Fujitsu, Panasonic, NEC, Sanyo and SONY are all active members of the European Information, Communications and Consumer Electronics Technology Associations (EICTA). Moreover, their business interests, especially regarding environmental policy, have also been represented by the Japan Business Council in Europe (JBCE) at EU level. The JBCE, founded in 1998, is the first Japanese lobbying organization comprising more than 50 Japanese firms operating in the EU, although it does not include automobile manufacturers. Members of the JBCE employ over 150,000 people which account for approximately 40% of total employment by Japanese firms in the EU. The JBCE is active in a number of policy areas and maintains close links with other stakeholders.

Comparison between the electronics and automobile industries especially helps our investigation of hypothesis 3 and 4 concerning whether or not Japanese firms in different lobbying environments with varying product diversification show different degrees of embeddedness in traditional lobbying practices, and how they have developed a particular mix of lobbying patterns in given political settings.

4.1.2 Time period of case studies

Our research examines Japanese automobile and electronics firms in the EU from the late 1980s to 2003. As reviewed in the Chapter 2, the history of Japanese business lobbying can be divided into two stages: from the late 1980s to 1993 (pre-Treaty of European Union) and from 1994 onwards (post-TEU). The first period is largely characterized by EU-Japan trade disputes, while the second period concerns the expanding EU regulatory competencies and an increasing number of firms' direct lobbying at EU level. In other words, trade policies dominated EC-Japan relations until the early 1990s and most negotiations to promote Japanese business interests were largely carried out at the state level negotiation between the EC and Japan. Under such conditions, firms and business organizations mainly lobbied member states and kept close contact with Japanese Ministries. By contrast, since the mid 1990s, the EU regulatory competencies have expanded to a variety of policy areas such as environment and food safety, inducing more direct lobbying at EU level. Thus, it is logical to set the TEU of 1993 as a broad turning point for the development of Japanese lobbying. In other words, the pre-TEU period is mainly characterized by intergovernmental lobbying while the post-TEU period sees more multilevel direct lobbying. The difference in the institutional structure and regulatory power at the supranational level between these two periods is likely to influence the ways in which Japanese firms chose particular lobbying strategies.

In terms of Europeanization, the first two case studies during the 1980s and early 1990s might not involve much direct lobbying at the EC level from both European and Japanese firms as business lobbying was largely carried out through inter-governmental routes during this period. However, there was already a clear presence of Japanese automobile and electronics firms in the EC during this period, and their lobbying strategies regarding the form of interest representation and instrument need to be clarified in terms of their relations with the EC, member states, and Japanese government. Besides, in order to fully highlight the longitudinal development of Japanese lobbying in the EU, it is necessary to examine these cases during the formative stage of EC business-

government relationship and establish the sound historical basis for the analysis of the following post-TEU case studies.

Examination and comparison of these two periods allow the opportunity to provide the longitudinal analysis of Japanese lobbying and assess how different EC/EU institutional settings have affected the Japanese firms' lobbying strategy. It should be noted that our research only seeks to examine the Japanese lobbying until 2003 and does not look at any recent issues concerning Japanese firms, although the development of their political activities appears to have continued. This is because a certain distance in time is required to aid the analytical process and provide a critical and comprehensive perspective on case studies. The period covered is both long and recent enough for contemporary relevance and yet it is sufficiently in the past to allow for marginally greater reflection and consideration, without falling into the trap of providing over-speculative interpretations of current events. It is hoped that the argument developed will have currency for general debate on EU public policy and international business studies in the 2000s, and also provide an empirical understanding of the Japanese firms in the EU during the chosen periods of the 1980s, 1990s, and the early 2000s.

4.1.3 Trade and environmental policies

In order to analyse Japanese lobbying in two different sectors and over two distinctive periods, we have decided to focus on the policymaking processes concerning automobile and electronics firms in trade policies during the 1980s and early 1990s, the End of Life Vehicle Directive of 2000, and the Waste Electronic and Electrical Equipment (WEEE) and Restrictions of the use of certain Hazardous Substances in electrical and electronic equipment (RoHS) Directives of 2003. The comparison between the trade and environmental policies enables us to investigate our hypothesis 1 and 2 regarding whether or not the nature of policy has affected the way Japanese firms have developed a particular mix of lobbying patterns in given political settings.

Until the early 1990s, trade policies were the major concern for Japanese firms in Europe. That is, the EC had taken a range of trade policy measures since the early 1980s to protect European automobile and electronics industries, often specifically targeting

Japanese firms such as the Voluntary Export Restraints (VERs), antidumping, and local content rules. These policies were directly linked to the national interests of member states and many countries showed a great reluctance to hand over redistributive power such as allocation of national quotas for Japanese products to the supranational level. In other words, these trade policies had a high level of political salience in the community and the Commission mainly required information on the preferences of relevant actors in concerned member states. Under such condition, it was difficult for Japanese firms to feed their views at the EC level. Thus, it is interesting to see how Japanese firms chose their form of interest representation and instrument for such non-technical and redistributive policy issues.

By contrast, the gradual transfer of regulatory functions from member states to EU institutions since the 1990s has contributed to the Europeanization of a number of policy areas, and waste management has become one of the priorities of EU environmental policy. In short, the ELV Directive aims to make vehicle dismantling and recycling more environmentally friendly, and sets clear qualified targets for reuse, recycling and recovery of vehicles and their components, encouraging producers to manufacture new vehicles with a view to their recyclability. The Directive's main requirements are to ensure that 1) producers limit the use of certain hazardous substances in the maintenance of new vehicles and automotive components, 2) ELVs are subject to de-pollution prior to dismantling, recycling, or disposal, 3) treatment facilities operate to higher environment standards, 4) certain recovery and recycling targets are met by deadlines set by the Directive, and 5) by 2007 producers pay all or significant part of the costs of the treating ELVs. The underlying objectives of both the WEEE and the RoHS are quite similar to the ELV Directive, as the WEEE Directive regulates the management of waste from a wide range of electrical and electronic consumer appliances as well as professional equipment; washing machines, TVs, radios, shavers, PCs, printers, medical equipment, vending machines, toys and so on. Producers are responsible for taking back and recycling such products and consumers are able to return their equipment at free of charge. The RoHS Directive requires the substitution of various heavy metals (lead, mercury, cadmium, and hexavalent chromium) and brominated flame retardants

(polybrominated biphenyls or polybrominated diphenyl ethers) in new electrical and electronic equipment that was put on the market from 1st July 2006.

Environmental policy is one of the prime examples which require a high level of technical information and expertise to draft. The nature of EU environmental policies is regulatory and affects all firms which operate in the EU regardless of their nationality. Consequently, large firms have started to participate in the policymaking process more directly at EU level. Therefore, the detailed study of environmental cases enables us to examine Japanese lobbying in the EU within the context of a complex multilevel network. Besides, the study of environmental policy is especially interesting because it provides good examples of transnational ad hoc interest coalitions with Japanese firms and other stakeholders. It illustrates the processes in which Japanese firms have reorganized themselves to adjust to current elite pluralistic policymaking. To be more precise, there is no doubt that the ELV Directive has been one of the most influential policies for automobile manufacturers in the EU, and Japanese automobile firms had to organize themselves and construct their lobbying strategies from a relatively handicapped position within the European automobile market due to the presence of strong European rivals. In this sense, this case study will assess and clarify Japanese automobile firms' lobbying strategies with regard to how they tried to blend into the ELV policymaking process and developed their European lobbying strategies. The outcome of the WEEE/RoHS process is significant in the sense that Japanese firms lobbied the EU policymakers on almost equal terms as other European and American firms and managed to realize several important policy goals in the Directives at the end. So far the WEEE/RoHS directives are one of the few policies in which Japanese firms managed to express some of their major concerns in their own right, such as exclusion of certain consumable goods and applications of lead.

Overall, these four cases will identify fixed, adaptable and creatable lobbying strategies of Japanese firms common to both sectors through two timeframes, and assess the impact of institutional determinants, at EU, sectoral, and corporate levels, upon firms' varying degrees of embeddedness in traditional business practices and development of European lobbying strategies. Chapters 5 to 7 are the detailed case studies that provide

the empirical evidence for our investigation. Chapter 5 looks at automobile and electronics sectors and EC trade policies, Chapter 6 at automobile sector and the ELV Directive and Chapter 7 at electronics sector and the WEEE/RoHS Directives. In each case study, the prime objectives are to clarify and assess the interaction between the Europeanization of Japanese firms and their embeddedness in traditional lobbying practices by looking at the firms' lobbying strategies regarding the form of interest representation and instrument as well as the impact of EU, sectoral, and corporate factors on their lobbying strategy formulation.

4.2 Data and sampling

Evidence for case studies may come from a number of sources such as documents, archival records, interviews, and direct observation. No single source has a complete advantage over all the others. In fact, the various sources are highly complementary, and a good case study should use as many sources as possible. The incorporation of these sources into a case study increases its quality substantially. In other words, the use of multiple sources of evidence in case studies allows us to address a broader range of historical, political, and behavioural issues. The most important advantage presented by using multiple sources of evidence is the development of converging lines of inquiry. Thus, any finding or conclusion in a case study is likely to be much more convincing and accurate if it is based on several different sources of information (Yin 2003). For our investigation of the case studies, documentation and interviews are the main source of data. To be more precise, Chapter 5 is largely devoted to analytical comparison of secondary source material and various primary sources, such as government publications, press releases, web pages on the internet concerning the Japanese automobile and electronics industries and Japan-EU relations, and interviews. In addition, literature on various different topics was surveyed to establish a background for the empirical investigation. Literature on Japanese-European relations, the Japanese automobile and electronics industries, the structure, institutions, and decision-making process in the EU was helpful in producing this study. Chapters 6 and 7 also draw on these sources, but

mainly depend on primary sources gained from our own empirical field work, including web pages on the internet, company brochures, government publications, and interviews conducted with major actors.

Table 4.4 Number of detailed interviews

Japanese firms	10
Japanese business associations (JAMA and the JBCE)	6
European and American business associations	3
European Commission	6
Japanese Ministry of Economy, Trade and Industry	1
Other governmental agencies	4
Total	30

As indicated in table 4.4, the total of 30 detailed interviews was conducted in Brussels and Tokyo between 2005 and 2006 with sources from European, Japanese, and American business associations, individual Japanese automobile and electronics firms, the European Commission, Japanese Ministry of Economics, Trade and Industry (METI), and other Japanese and EU governmental agencies, in English or Japanese.⁷ Each interview took approximately one hour with some exceptions which lasted for much longer. All interviews were recorded, transcribed, and translated into English. As discussed earlier, case study approach is defined as ‘intensive study of a single unit for the purpose of understanding a larger class of similar units’ (Gerring 2004: 342). Therefore, sampling is another crucial element of a case study to achieve a high level of internal and external validity of the outcome. However, the logic of selecting the interviewees in the case studies must be distinguished from the sampling logic commonly used in surveys. The standard sampling logic requires an operational enumeration of the entire universe or pool of potential respondents and then a statistical procedure for selecting a specific subset of respondents to be surveyed (de Vaus 1996, Yin 2003). This statistical sampling method is not suitable for the case study approach. This is because the case study approach is not the best method for modelling causal relations or assessing the prevalence of phenomena. Instead, it covers both the phenomenon of interest and its

⁷ See the appendix for the details of the interviews and questionnaires

context and helps to define the cases. Therefore, it is better to identify the major stakeholders in the concerned cases, and try to take as many interviews as possible to gain an in-depth understanding of the issues.

In practice, the major difficulties with conducting the interviews were the identification of a relevant sample of actors and gaining access to the relevant people. There are nine Japanese automobile firms and a number of Japanese electronics firms in the EU. Ideally, it would have been best to interview all of them to cover the whole population. However, it was not possible to include all of them in our analysis for a number of reasons. We identified the top ranked Japanese firms in terms of their sales, assets, and profits through existing statistics and ranking tables such as Forbes and Fortune500. We initially contacted most of the major firms, however some of them refused to participate in the research because they mainly outsourced their lobbying activities to the business associations (either JAMA or the JBCE) and did not have much to comment on the issues, or preferred not to talk about their lobbying strategies at all. Overall, we managed to include the three largest Japanese automobile firms (Toyota, Honda, and Nissan), and four Japanese electronics firms (Panasonic, Fujitsu, NEC, and Canon) which are constantly ranked high in a number of product fields such as consumer electronics and computer equipment. These Japanese firms all have an office in Brussels, and have a strong presence in the EU in terms of sales, productive capacity, capital and R&D investment, and employment levels. Since our research is interested in seeing how large Japanese multinational firms have transformed their lobbying strategies in the EU, the selected firms in both sectors are expected to be the prime example of such firms. We sometimes interviewed more than one person from the same firms or interviewed the same person twice. Besides, by incorporating not only Japanese firms and business associations but also the Commission officials, rival business associations, METI, and other governmental agencies, we aimed to provide a comprehensive insight of each case study, minimize the selection bias, and overcome the problem of small sampling size.

To be more precise, for the first two case studies, it was difficult to locate the people who were involved in trade issues during the late 1980s and early 1990s as many of them transferred to different departments in the same organizations, changed their jobs or retired. Moreover, the memories of these stakeholders involved in the negotiations are

unlikely to be clear in detail. Therefore, interviews with more general governmental agencies such as Japan External Trade Relations Office (JETRO) in Brussels and Tokyo, and the EU-Japan Centre for Industrial Corporation in Tokyo provided interesting overall stories and historical background of the trade issues. In addition, a number of secondary sources helped our investigation.

For the last two case studies, we managed to interview the main stakeholders. For the ELV directive, as well as the three Japanese firms mentioned above, we also interviewed the director general, deputy director general, and technical affair specialist of JAMA in Brussels. The Director of regulatory affairs of ACEA in Brussels and Tokyo also provided useful insights into Japanese lobbying from the rival perspectives. For the WEEE/RoHS directives, as well as the four Japanese firms mentioned earlier, we interviewed the former and current secretary generals of the JBCE. American Electronics Association Europe (AeA) was also interviewed to provide comprehensive views on Japanese lobbying in the EU. Since both ELV and WEEE/RoHS directives are part of the same Environmental regulatory program, there was an overlap in personnel in the Commission who were directly involved in drafting these directives. Out of these personnel, we identified three officials of the DG Environment and one Japan desk officer of the DG Enterprise. In addition, the interview with METI official in Tokyo presented an interesting insight of Japanese business-government relationship and its impact upon firms in the EU. These interviewees essentially cover most major stakeholders who were involved in the case studies.

It should be noted that the choice of case studies and interviewees was also guided by the more practical consideration of information availability. As mentioned above, business lobbying is often conducted in secrecy and only limited information is available in the public domain. Thus, the selection of case studies was influenced by the degree of interview access anticipated from firms and other stakeholders. The respondents also suggested other people to interview, as well as other sources of evidence.

Overall, thorough interviews supplemented by secondary information enable us to provide a detailed empirical investigation for our hypotheses. It should not be forgotten that lobbying is a particularly sensitive issue. Industries and individual firms are naturally not inclined to reveal their technical details of interest representation, since successful

techniques could easily be copied by their competitors. For this reason, interviewees had to be assured of confidentiality and anonymity, and they had to be guaranteed that their personal comments would be absolutely non-attributable to themselves, their corporation, and their institution. Therefore, sources cannot be quoted by their names, although direct quotes are given in a codified manner, for example, ‘a source from the Commission: 01/01/06: A’⁸.

There are several problems in conducting interviews as it is one thing to gain access to the desired person or to even have enough interviewees, but it is quite another to obtain accurate responses from them (Geddes 1990). Therefore, in order to minimize the bias from the interviewees, our interviews were based on a semi-structured questionnaire. The questionnaire is a highly structured data collection technique whereby each respondent is asked much the same set of questions. Because of this, questionnaires provide a very efficient way to contrast the variation among Japanese firms. In general, personal interviews provide the greatest flexibility in terms of question design to deal with complex research topics. In our research, the questionnaire has the following three aspects to examine Japanese lobbying in the EU; 1) measures of the dependent variable to clarify what is Japanese lobbying strategy, especially regarding the form of interest representation and instrument, 2) measures of the independent variables to make sure we have questions to tap each of these variables and clarify the nature of the links between dependent and independent variables, and 3) background measures to provide rather general information about respondents such as their overseas strategies, corporate culture, their location, general impressions for their rival firms, and so on to help us see whether patterns occur within various subgroups. Our interviews were also of an open-ended nature, in which we could ask key respondents about the facts of a matter as well as their opinions about events. In some situations, we asked the respondents to propose his or her own insights into certain occurrences and used such propositions as the basis for further inquiry. As mentioned before, by incorporating a number of insights into Japanese lobbying from different actors and comparing them with each other, it is expected to

⁸ The letter A refers to the first person interviewed on a particular date, B to the second person and so forth.

provide comprehensive perspectives of the issues, minimizing the response and sampling bias.

4.3 Measures

In terms of the level of measurement, our variables in the analysis are essentially nominal in their nature and nominal comparison across cases can be used as a central strategy of hypotheses assessment since our research seeks to explore how Japanese firms conduct lobbying in the EU: whether individually or collectively, and whether to use information or financial incentive strategy. Small-N researches like ours often pursue causal analysis through nominal comparison across cases (Mahoney 2000). Nominal comparison entails the use of categories that are mutually exclusive (cases cannot be classified in terms of more than one category) and collectively exhaustive (one of the categories applies to each case). With respect to different levels of measurement, nominal categorization is sometimes considered unsophisticated because it does not involve the rank ordering of cases, much less quantifying the degree to which particular cases differ from one another. Yet, for conceptualizing certain kind of phenomena, nominal categories are highly appropriate. In other words, linking data to our hypotheses is also an important part of our empirical investigation. There are several criteria for interpreting the findings. Linking data to research questions can be done in any number of ways, but one promising approach for nominal comparison is the idea of pattern matching (Yin 2003), whereby several pieces of information from the same case may be related to some theoretical proposition. In other words, we describe two potential patterns and then show that the data matched one better than the other. If the two potential patterns are considered rival propositions, the pattern matching technique is a way of relating the data to the hypotheses. This approach is suitable for our research as we are interested to see whether Japanese firms pursue more Japanese or EU type of lobbying strategies. That is, by comparing a Japanese firm's lobbying strategy in the EU with that of European firms and Japanese national pattern, it is possible to measure the extent to which Japanese firms

have transformed their lobbying patterns and become an independent political actor within the EU policymaking process.

Nominal methods are not flawless tools for identifying necessary and sufficient causal conditions. For one thing, it is always possible that independent variables not considered in the analysis might be the significant factor if they were included. This is a standard problem of specifying an explanatory model that arises in many forms of causal assessment, and its consequence for nominal methods is that researchers can never know for certain whether they have correctly identified all necessary and/or sufficient variables or combinations of variables (Mahoney 2000). However, several arguments can be made in defence of the practice of nominal measurement. Many researchers focus on combinations of variables when using nominal methods. While a particular variable may itself be neither a necessary nor sufficient cause of an outcome, the variable may be part of a combination that is necessary or sufficient for an outcome. Thus, by incorporating several factors in an analysis, it is possible to minimize the potential risk of eliminating significant explanatory variables and work towards a more holistic model. In our research for Japanese lobbying in the EU, we seek to identify the institutional conditions which make up the logic of Japanese firms in pursuing more Japanese or EU type of lobbying strategies. We recognize that various streams of institutional factors merge to determine the decision of Japanese firms to choose particular lobbying strategies. Therefore, we disaggregate institutional conditions into three levels: EU, sectoral, and corporate factors. These factors are closely interrelated with each other and expected to influence the formulation of Japanese lobbying strategy at each level.

In order to empirically explore the interaction between the dependent and independent variables in the case studies, it is necessary to clarify the measures for these variables. For the dependent variable, we focus on the mechanism of lobbying strategy formulation wherein Japanese firms face two sequential and non-related decisions: organization of interest representation and instrument. With regard to the form of interest representation, we are interested to see whether Japanese firms conduct lobbying individually or collectively through national or European business associations. For the purpose of this research, we define the concept of collective lobbying as lobbying through national and European associations, and do not include ad-hoc coalitions of firms

in this definition. Ad-hoc coalitions are treated as part of individual lobbying strategies by firms. The reason to differentiate individual and collective lobbying in this research is to access the firms' embeddedness in national collective lobbying channel. In this context, ad hoc coalitions imply that firms have developed strategic political capacities to lobby directly at EU level and temporarily work together with other countervailing firms without relying on their national associations. By applying this definition, we can measure the extent to which Japanese firms in the EU are able to lobby independently of national business associations. It is also important to note that Japanese firms in the EU utilizing multiple lobbying channels: both national associations and individual routes. Detailed in-person interviews with stakeholders enable us to identify the main form of interest representation for Japanese firms.

As for the instrument, we are interested to see whether Japanese firms utilize information or financial incentives as their instrument to influence the policymakers. In order to operationalize the decision over these two instruments, we define information strategy as utilizing technical information as a means to influence policymakers. This typically includes activities such as submission of position papers and technical advice to the Commission and the EP. By contrast, a financial incentives strategy refers to activities such as financial contribution to political parties and other policymakers, hiring bureaucrats or other personnel with direct political experience (*amakudari* in the case of Japan), and having a representative of a firm in a political position. Similar to the decision regarding the form of interest representation, these two instruments are not mutually exclusive. However, our detailed interviews with stakeholders enable us to assess which instrument is more used by Japanese firms in the EU to influence the EU public policies.

For the independent variables in the explanatory model, there are several indicators for the EU, sectoral and corporate factors which are likely to affect a firm's lobbying strategy formulation. Firstly, in terms of EU factors, we argue that the nature of the policy, whether technical or non-technical and whether regulatory or redistributive, affect the level of demand for information among policymakers, resulting in the varying degree of access available to Japanese firms. Therefore, we treat environmental policies, ELV and WEEE/RoHS directives, as the example of technical and regulatory policies

while using trade policies as the example of less technical and redistributive policies. Secondly, for sectoral factors, we assume that the presence of dominant rival firms and product diversification in a sector are likely to affect a firm's lobbying strategy formulation. As we briefly described before, there is a strong presence of European and American firms in the automobile sector with relatively low product diversification while the electronics sector is more fragmented with high product diversification. Therefore, these two sectors are used as the prime indicators for our sectoral factors. Thirdly, with regard to corporate factors, we hypothesize that a firm's resource is one of the determinants and, therefore, use staff size of its public affairs department and length of presence in the EU as proxies for resources. By focusing on these points, we test whether corporate factors influence the decision of Japanese firms to develop a certain type of lobbying pattern. Measurement of these factors highlights the institutional conditions that shape the lobbying strategies of Japanese firms with differing efficacy.

4.4 Conclusion

In order to test our hypotheses and advance the existing explanatory framework of Japanese lobbying in the EU, we developed the research design centered on a structured and focused comparison of a set of case studies. The case study approach enables us to investigate the details of Japanese lobbying, but is also subject to several criticisms such as small sample sizes and difficulty of generalizing results. Therefore, we must be very careful in choosing particular cases and collecting data (Lijphart 1971, Gerring 2004, de Vaus 1996, Yin 2003, Geddes 1990, Mahoney, 2000). This chapter has explained a number of criteria for selecting four case studies and the measures for the dependent and independent variables which are the main focus of the subsequent chapters. The questions of how Japanese firms lobby in the EU and what constitute their institutional logic in developing a particular lobbying strategy are best analyzed by a comparative case study approach. We chose automobile trade policies during the late 1980s and early 1990s, electronics trade policies during the same period, the End of Life Vehicle Directive of 2000, and the Waste Electronic and Electrical Equipment (WEEE) and Restrictions of the

use of certain Hazardous Substances in electrical and electronic equipment (RoHS) Directives of 2003. Our research seeks to contribute to scholarship on transnational lobbying by tracking the development of Japanese lobbying in the EU, with special attention to the interaction between the EU policymaking process and traditional patterns of Japanese lobbying. In each case study we will particularly look at the form of interest representation and instrument of various firms in the lobbying process, and examine the impact of EU, sectoral, and corporate factors upon their particular choice of lobbying pattern. Empirical evidence for these case studies mainly came from the 30 interviews with stakeholders in Brussels and Tokyo, and secondary resources such as existing documents and archival records.

Overall, the following case studies provide a structured and focused comparison of Japanese automobile and electronics firms, in order to develop the existing explanatory framework of the Europeanization of business interests. A prime intention is to use detailed descriptive and comparative analysis to highlight the way in which Japanese firms conduct lobbying in the EU and assess the extent to which they are embedded in the national lobbying patterns. As discussed before, there is no doubt that Japanese firms have come to embody a strong market force in the EU, but their political capacities in choosing particular lobbying channels, negotiating with the policymakers, and seeking corporate alliances have been understudied. In other words, we aim to advance the understanding of the participation of non-Western actors within the EU policymaking process.

5. Automobile and electronics firms in the pre-TEU period: Trade policies

In order to provide a longitudinal, as well as cross-sectoral, analysis of Japanese lobbying over two different phases, namely pre- and post-TEU periods, this chapter presents detailed case studies of automobile and electronics firms' lobbying strategies against the EC trade measures from the late 1980s to the early 1990s. In both case studies, the prime objectives are to assess the impact of several institutional factors in forming Japanese firms' lobbying strategies and lay a contextual background for the following case studies.

Trade policies symbolized the troubled transnational relations between Japan and the European Community during the 1980s and the early 1990s. The EC had taken a range of trade policy measures since the early 1980s to protect European industries such as the Voluntary Export Restraints (VERs), antidumping, and local content rules, often specifically targeting Japanese firms. Under such conditions, Japanese firms had to generate political capital and lobby the EC to influence its trade policies to their own benefit for the first time in the European policymaking process. Automobile and electronics firms constituted one of the most important aspects of Japanese business lobbying during this period, as both sectors had developed the most fully-fledged European operations of all Japanese manufacturing sectors.

In the automobile context, the trade disputes culminated in an agreement between the Japanese government and the EC in July 1991, effectively placing numerical limits on Japanese automobile exports to the EC as a whole and to specified member countries until 1999. This landmark accord stipulated that free trade in automobiles would be completed by 2000 and set a transitional period to allow European manufacturers to adapt. Nonetheless this agreement constituted Europe's principal policy response to the Japanese automobile challenge as unification approached.

Similarly, Japanese electronics firms were subject to a series of EC trade policy measures during this period, although these disputes did not lead to the creation of single trade accord between Japan and the EC like the automobile case. The most important instrument of trade policy was undoubtedly antidumping. A wave of antidumping actions,

concentrated in the second half of the 1980s, targeted Japanese electronics firms and often led to the imposition of duties. In addition, the EC later amended its antidumping law to make it applicable to Japanese assembly plants in Europe. This was effectively administered as local content rule.

In order to examine these early years of Japanese lobbying, this chapter proceeds as follows. Firstly, we address the background issues for both cases and explore the lobbying strategies of Japanese automobile and electronics firms with special attention to their form of interest representation and instrument. Although the roles of the Japanese government and bureaucrats are essential in understanding the negotiation processes with the EC during this period, the independent roles of Japanese firms and their strategic lobbying preferences need a closer attention. Secondly, we return to our initial hypotheses and examine the impact of EC, sectoral and corporate factors upon Japanese firms' lobbying strategy formulation. These two cases provide good illustrations of the formative period of Japanese lobbying in Europe; how Japanese automobile and electronics firms reacted to the trade barriers and chose a certain lobbying strategy to maximize their business interests within the mainly inter-governmental policymaking process. In addition, examination of these case studies allows the opportunity to identify Japanese firms' fixed, adaptable and creatable lobbying strategies common to both sectors as well as drawing an interesting comparison.

5.1 Automobile firms: background and controversies

Japanese automobile imports had been a sore point in EC-Japan relations since the end of the 1970s. An increasing Japanese presence in the European automobile market encouraged many European governments to implement policies designed to limit and control the flow of Japanese automobiles. Japanese firms had attained considerable shares in EC markets by 1980, such as Belgium (24.7%), the Netherlands (26.4%), Denmark (30.9%), Ireland (30.8%), and Greece (42.9%). In addition, by that year they had counted sizable shares of the British (11.9%), French (2.9%), and German (10.4%) markets (Mason 1997: 56). Besides, the specific circumstances of individual EC member states

shaped Europe's response to Japanese automobile imports. On the one hand, highly protectionist countries such, as France and Italy, had and still have quite strong domestic manufacturers and imposed quantitative controls on Japanese products. On the other hand, those countries without indigenous automobile manufacturers, such as Denmark, Greece and Ireland, assumed a more liberal trade stance allowing the free flow of Japanese products. Under such situations, most trade between Japan and the EC was conducted bilaterally at the member state level as indicated in table 5.1, whereby Japan agreed to accept Voluntary Restraint Agreements (VRAs) in its exports, or alternatively, export restraint was sectorally exercised by Japanese firms known as Voluntary Export Restraints (VERs).

Table 5.1 The restriction of Japanese automobile imports in EC countries until 1991

France	3% of market	Government allocates quota to importers.
Italy	3,300 units (p.a.)	Importers apply for license, registering Japanese cars with the government
Spain	1,200 units (p.a.)	Same as above
Portugal	10,000 units (p.a.)	Same as above
UK	11% of market	SMMT and JAMA's agreement. JAMA allocates quota for Japanese makers
Other EC states	No official restrictions	

(Source: Japan Automobile Manufacturers Association: <http://www.jama.or.jp/>)

When the Single European Act was ratified by member states in 1987, the programme to complete the single European market started at full speed. At the same time, the programme of unifying the twelve markets into a single European market motivated Japanese automobile firms to invest in production within the EC. The potential profits from the emerging single market lured them, and they also feared the creation of "Fortress Europe" that would discriminate against foreign products and prevent Japan from benefiting from market expansion (Abe 1999: 59). During the mid 1980s, Honda, Nissan, Toyota, and many other Japanese firms directly invested in major manufacturing operations in the EC and came to occupy about 10% of the EC automobile market as indicated in table 5.2.

Table 5.2 The market share of the Japanese cars in the EC

1986	Units	1,036,000
	% share	9.8
1987	Units	1,075,700
	% share	9.5
1988	Units	1,088,562
	% share	9.2
1989	Units	1,106,547
	% share	10.8
1990	Units	1,219,584
	% share	10.0
1991	Units	1,363,089
	% share	10.9
1992	Units	1,322,557
	% share	10.5
1993	Units	1,169,177
	% share	11.0

(Source: International Motor Business, 1986-96)

The increasing level of local production by Japanese firms caused further trade disputes between Japan and the EC. The SEA introduced freedom of the movement of goods within the EC to be completed by 1992. Since many EC member states did not impose quotas on Japanese automobile imports, this obligation would enable Japanese firms to export vehicles erstwhile protected EC states via non-restricted Community markets. In addition, completion of a single market raised the possibility that Japanese transplant factories would produce vehicles in one EC state, the UK for example, and then freely ship them to other EC states such as France and Italy. Therefore, the approaching changes in EC/EU policies placed increasing pressure on the Commission to find new ways to support their member states as well as promote free trade within the community.

The Commission proposed to the member states and the Japanese government that bilateral restraints on Japanese automobile imports, which were seen incompatible with the objectives of the single market programme, would be eliminated by the end of 1992. Instead it proposed as an alternative a jointly administered VRA, which would run for a limited period before liberalizing the market. In this way, the EC would be able to

harmonize the automobile trade policies for Japan across member states, and further advance a single market.

The principal policy outcome was the creation of the “elements of consensus” between the EC and Japan in July 1991. This landmark accord effectively placed numerical limits on Japanese automobile exports to the EC as a whole and to specified member countries until 1999. To be more precise, this accord saw the Japanese government and automobile firms agreeing to a transitional period within which the Japanese share of the EC/EU market would be allowed to increase from 12 percent in 1991 to 16 percent by 1999. This transitional period was also designed to help the more protected European car markets to expose their domestic industries gradually to greater Japanese competition by continuing to implement national exports restraints until 1999. The Commission and Japan’s MITI (Ministry of International Trade and Industry)⁹ agreed to review the market situation every six months (Kewley 2002: 192). After the transitional period, the VRA was abolished, and the European automobile market became completely liberalized. The policymaking process of the “elements of consensus” between Japan and the EC took more three years to complete from early 1988 to 1991.

5.1.1 Form of interest representation

The Commission was clearly the most important actor with full responsibility for the 1991 accord. Bilateral negotiations on the European side were led by DG I (external relations), DG III (internal market and industry), and DG IV (competition policy). The national governments of member states, especially those with domestic automobile manufacturers such as the UK, Germany, France, and Italy, also significantly impacted the automobile trade policy with Japan. For the EC, especially the Commission, coordination among the member states was a key factor for successful negotiations with Japan. Throughout the EC trade policymaking process, European automobile firms’ forms of interest representation were mainly characterized by the corporatist model (Schmitter 1974, Greenwood 2003).

⁹ Re-named as METI (Ministry of Economy, Trade, and Industry) in 2001

Under such conditions, European automobile firms mainly lobbied through business associations at EC level. Prior to 1990, the automobile industry was represented in Brussels via two organizations: the Liaison Committee of the Automobile Industry of the Countries of the European Communities (CLCA) and the Committee of Common Market Automobile Constructors (CCMC). CLCA was the peak association for the EC's seven national automobile trade groups, representing general interests common to all manufacturers. CCMC was in effect a club of European manufacturers, established following dissatisfaction with the lack of direct firm participation in CLCA, and had remained the industry's most powerful group.

Although each European firm brought to bear significant influence on its own national government, European automobile firms as a whole did not easily unite into a single interest group. Much to the Commission's dismay, the draft accord was rejected by the heads of the European firms who argued that it was too favourable to Japan. Jacques Calvet, the then president of PSA Citroën, refused to even accept such proposition. Besides, those who produced luxury cars such as BMW had different interests from mass-producers such as Fiat, Renault and VW. The lack of internal consensus resulted in poor lobbying ability with the Commission. As a result, the Committee of Common Market Automobile Constructors (CCMC), which had until then served them as an industry federation, was replaced by the newly established industrial organization, the European Automobile Manufacturers Association (ACEA), in 1991. The transformation of the group into ACEA, in which they introduced majority decision rules instead of unanimous ones and ostracized the most intransigent PSA Citroën group, enabled the industry to gain more prowess of its own (Abe 1999: 78). To be more precise, adoption of a majority voting mechanism intended to improve the efficiency of decision making procedures and the commonality in policy positions. In addition, ACEA also invited American automobile firms with European manufacturing operations to join, but not Japanese firms, even those with European plants (Kewley 2002: 190). ACEA transcends the national boundaries, and has more resources than either of its predecessors with a full-time staff of eighteen personnel.

Direct lobbying by individual European firms was still rare. European firms lobbied the Commission mainly through ACEA to reflect their views in the "elements of

consensus". Collective action through ACEA is explained by selective incentive advocated by Olson (1965). Selective incentive is not simply a material benefit in the style of cheap insurance for members, but a selective policy benefit so that participation can shape the organizational agenda in a way that is favourable to the member firms. Participation allows an opportunity to influence group goals. For individual European firms, participation in collective lobbying was part of an exercise to minimize surprises, as member firms cope with a changeable and unstable policy agenda. In Olson's language, the monitoring service of ACEA was a selective benefit which encouraged membership. In this sense, European automobile firms communicated with the Commission by forming pan-European business associations to promote their interests. Besides, the limited amount of individual lobbying is also explained by the fact that firms could rely on unfavourable European policy being blocked by their national governments at EC level.

At the same time, recognizing the organizational problems of ACEA to create internal consensus, individual firms consequently began to make direct interest representations to the Commission as well. This is practical because with some issues there was no group discussion of individual cases. Such issues were simply kept off ACEA's agenda. Thus, eight European automobile firms opened offices in Brussels with the main intention of developing personal links to policy development during this period. This is a sign that European automobile firms were gradually able to make strategic decisions as to whether they lobbied collectively or individually, depending on their differing interests. The gradual shift from collective lobbying to individual lobbying also confirms the development of a pluralist/elite pluralist EU policymaking process. Overall, they mainly relied on collective lobbying through ACEA, and individual lobbying at EU level was still very rare.

Japanese practice

MITI mainly represented Japanese automobile interests at the negotiation table with the EC. MITI, which was responsible for creating an export cartel on the Japanese side, had agreed to explore with the Japan Automobile Manufacturers Association (JAMA)

the issues of the “elements of consensus” in the European market by 1990. On the issue of exports to the EC, many decisions were at MITI’s discretion; MITI handled negotiations to estimate European market growth, decided the scale of total Japanese exports, and allocated export quotas to individual firms. From 1986 until the 1991 agreement, MITI monitored Japanese exports to the EC. Japanese firms occupied roughly 10% of the EC automobile market, as highlighted in table 5.3. MITI played a role to provide a framework for communication and consensus building between the Japanese government and the automobile industry. In addition, the Ministry of Foreign Affairs (MFA) was also the formal representative body in international negotiations, and thus consulted in trade negotiations with the EC. The MFA was sensitive to Japan’s reputation and wished to cooperate in a liberal trade regime. Their participation was not only because of the formality of international negotiations, but also out of concern that the resulting agreement be compatible with the concurrent GATT Uruguay Round talks. Therefore, the early stage of the negotiations between Japan and the EC included both MITI and the MFA. In practice, however, the MFA had little influence on decision-making in trade policies, as MITI carried out official negotiations for most aspects of the 1991 agreement.

Table 5.3 Japanese shares of European automobile market, by company (1989)

Company	Market Share (%)
Nissan	2.9
Toyota	2.5
Mazda	1.8
Mitsubishi	1.2
Honda	1.0
Suzuki	0.6
Subaru	0.4
Daihatsu	0.3
Isuzu	0.1
Total	10.8

(Source: JAMA. Market Data Book 1990)

Under such conditions, Japanese firms did not have much contact with the EC actors and had little incentive to change their traditional form of interest representation. Their relationship with MITI was characterized by the traditional institutional model

based on a strong initiative of bureaucracy in the policymaking process (Zhao 1993, Tsujinaka 1997, Kono 2003). There were nine Japanese automobile firms and they acted as a single interest group through JAMA. They tended to rely on JAMA to express their opinions as a whole industrial sector, rather than commenting independently on foreign trade issues, as their European automobile counterparts did for the EC Trade policies. This made JAMA appear to be a highly united organization. More importantly, JAMA permitted MITI to take sole responsibility for conducting the negotiations on the Japanese side, thus assuring the Ministry's primacy in not only influencing, but also articulating the demands of Japanese automobile firms (Kewley 2002). In addition, the exclusion from ACEA also led Japanese firms to fortify under JAMA. The absence of direct lobbying at EC level was also confirmed by the interview with the Commission. The Japan desk officer at the Commission recalled that Japanese firms did not lobby the Commission at all, but MITI represented Japanese interests as a whole on behalf of the firms, although individual firms were always welcome to make any comment on EC trade policies.¹⁰

Japanese automobile firms consulted with MITI individually on some EC trade issues. For example, Nissan's outspoken President Yutaka Kume sometimes recommended tactics and issue emphases which were not in line with other firms. Besides, even though Japan had a domestic market of considerable size, it was over crowded to accommodate nine manufacturers in a market. Domestic competition expanded to export markets in the EC, where each firm began to make efforts to gather its own information rather than relying on MITI or JAMA (Abe 1999). Therefore, most Japanese automobile firms opened public affairs offices in Brussels by 1990 although they did not conduct any direct lobbying at the Commission. On the whole, Japanese automobile firms had established a very corporative relationship with MITI through JAMA on the major questions in the talks for the 1991 accord. Unlike European automobile firms which sought to represent their interests individually at the Commission as well as through ACEA, Japanese automobile firms relied heavily on JAMA and MITI for negotiations with the EC and direct lobbying at the Commission was almost non-existent.

¹⁰ Interview with the Commission, Brussels, 16/7/2003

5.1.2 Instrument

Since the “elements of consensus” was negotiated at the state-level between the EC and Japan, European automobile firms and ACEA mainly lobbied the Commission and member states’ governments to express their views and create a united European front against Japan. Although it was crucial to present a European common position at the negotiations with Japan, European firms and ACEA openly and vigorously lobbied the Commission and their national governments during the consultation period. The Community’s automobile policy did not take shape immediately, and it was never easy for the Commission to co-ordinate various interests among European firms. The firms’ main lobbying instruments to influence the Commission were based on the exchange of information about their preferences for policy.

As exchange theory suggests (Blau 1964, Levine and White 1961, Aplin and Hegarty 1980), those using an information strategy seek to affect public policy by providing policymakers with specific information about policy positions and may involve providing information on the costs and benefits of different issue outcomes. On the European side, there were some major controversies about the Commission’s initial proposal of 1989. Its initial plan included: i) abolishing national import restrictions on Japanese automobiles by the end of 1992, ii) setting a transitional period after the launch of single market in 1993 to allow European firms time to prepare for free competition with Japanese firms, and iii) establishing that no requirement of local content be made by member governments. Once talks with Japan started, the second point became the focus of the discussion, together with the treatment of Japanese automobiles produced in the EC. In September 1989, European firms including VW, Fiat, and Renault, demanded five years. However, at a time when the Commission had almost achieved a consensus among European firms in December 1989, the French government insisted on seven years. Two months later, the Commission released a report indicating that national quotas might be kept for ten years. Throughout 1990 no single view prevailed on the transitional period length among European firms. As mentioned earlier, Jacques Calvet, the president of PSA Citroën at the time, in particular held to his strongly protectionist position,

demanding at least ten years. As a result, CCMC practically collapsed, and all but PSA Citroëne established ACEA in 1991. In March 1991, all ACEA members agreed to approximately six to seven years for the transitional period.¹¹ In addition, whether or not Japanese transplants should be included in the restrictions during the transitional period made the negotiations even more difficult. For the European side, the treatment of transplants automobiles was crucial, since other issues such as the length of the transitional period would eventually and ultimately dissolve once the single market was completed. Thus ACEA demanded that the growth of Japanese transplant production be treated as the central issue of EC-Japan agreement.

Following completion and approval of the platform by ACEA in 1991, European automobile firms were assigned the task of convincing their respective home governments to support the common industry stance. In addition, ACEA sent a four-page memorandum to the Commission setting forth its position. Based on such agreement with ACEA and member states, the Commission had adopted a tougher position by the end of April 1991, which they then presented to the Japanese government and MITI. ACEA's attempts to draft constructive policies corresponded closely with the process of looking for partners, which many exchange models had previously described (Levine and White 1961, Aplin and Hegarty 1980).

Japanese practice

As for the lobbying instrument, since both Japanese firms and JAMA did not have much direct contact with the Commission, their lobbying instrument was domestically directed at MITI and not externally at the EC. Therefore, there was no incentive for Japanese automobile firms to change their traditional lobbying instruments to establish corporative relationships with the national policymakers. Their main lobbying instruments were not the exchange of information, but similar to the strategy of 'absorption' described by Ring, Lenway, and Goverkar (1990), in that they attempted to absorb a part of the external political environment into the firm. In other words, automobile firms followed administrative guidance and other non-legally binding

¹¹ Interviews with ACEA, Brussels, 16/11/05

instructions by MITI to maintain a cooperative networks with them. The *amakudari*, a custom by which former high-ranked bureaucrats get executive positions in private firms, was a common practice to facilitate the communications between MITI and JAMA. Such practice also took place between other Ministries or semi-governmental agencies and JAMA. For example, the head of JAMA's transport division was traditionally a former official of Ministry of Transport. The relationship between MITI and JAMA was certainly closer than that between ACEA and the Commission. JAMA's vice chairman was chosen from the directors of MITI's automobile directorate. In general, meeting between JAMA and MITI took place prior to meetings of JAMA's board of directors. Also, JAMA invited MITI officials along to the monthly meetings of its members.¹² Such personalized incentive instruments were widely used by JAMA to influence MITI.

Japanese automobile firms recognized the importance of maintaining a united common position at the negotiations with the EC and there was a general agreement on the central issues among Japanese actors. While the Commission constantly had to negotiate with European automobile firms to form a common position, Japanese automobile firms remained compliant so that MITI did not have to struggle to achieve domestic consensus. In responding to the EC, MITI sounded out automobile firms' interests that were then reflected in MITI's opinions at bilateral talks with the Commission. Japanese automobile firms were united under the common position of JAMA and rather passively accepted the policy guidance provided by MITI.¹³ The participation of Japanese automobile firms in MITI's policymaking process was not usually exposed to the public, in that their more important contacts were often held at an informal level. Some disagreements and disputes were solved rather quietly through consultations between MITI and the industry to avoid open-confrontations. The widespread use of financial incentive and informal instruments among Japanese automobile firms clearly corresponded to the traditional model of Japanese business-government relations (Zhao 1993, Kubota 1997, Woronoff 1986).

In terms of the negotiations with the EC, the Japanese were faced with an agreement that was essentially not to their liking. For a start, although the increase in

¹² Interviews with JAMA, Brussels, 7/6/04, 12/10/05

¹³ Interviews with JAMA, Brussels, 7/6/04, 12/10/05

market share was acceptable, it was dependent on market condition and size. The second problem was that any increase in market share had to be realistically derived from either local production, which was preferable for the Commission, or from direct imports from Japan, but not both. Therefore, the results of the accord produced bitter responses from the Japanese. For example, Nissan argued for a shorter transitional period stating that it understood the need for a transitional period, but it was its desire that this period be dismantled as soon as possible.¹⁴ Representatives of Toyota were also disappointed with the agreement, with one of the officials claiming that Japan was completely defeated (Kewley 2002:189).

Overall, Japanese automobile firms did not transform their lobbying strategies from their national patterns during the pre-TEU period. There was no significant direct lobbying in the EU. They relied on their national business association to represent their interests and widely used personalized lobbying instruments to maintain a cooperative relationship with the Japanese policymakers. While their European rivals started to recognize the limit of national lobbying channels and started to directly represent their interests at EC level, either collectively through ACEA or individually, Japanese firms did not conduct any significant lobbying in the EC. Despite the widespread investment of Japanese automobile firms across Europe, there was no sign of convergence of lobbying strategies. Before moving on to examine the impact of several institutional factors upon the firms' decisions regarding their form of interest representation and instrument, the next section will examine the lobbying strategies of Japanese electronics firms against the EC trade policies.

5.2 Electronics firms: background and controversies

The electronics industry is similar to the automobile industry in that it is one of the most internationally oriented sectors of Japanese industry. Japanese electronics firms have strengthened international linkages through foreign direct investment since the

¹⁴ Interview with JETRO, Tokyo, 3/2/05

1980s. There are several distinctive features of the Japanese electronics industry. The first feature is a traditionally high dependence on consumer electronics products. The share of consumer electronics in total electronics production in the world decreased significantly from 49.0 percent in 1960 to 10.7 percent in 1995. However, the share in Japan at 16.2 percent in 1992 was still high compared with 8.0 percent in Europe (Mason 1997: 87). The second feature is that Japanese electronics firms are vertically integrated, engaging in various sub-sector businesses. The third feature is that majority of electronics products have been manufactured by a limited number of firms such as Sony, Toshiba, Hitachi, Panasonic, Mitsubishi Electronics, and Sanyo. This is also the case in semiconductor production. NEC, Toshiba, Hitachi, Fujitsu, and Mitsubishi Electronic accounted for roughly 75 percent of the total semiconductor output in Japan in 1992.

Table 5.4 The global electronics industry in 1990 (figures in billions of dollars)

Country	Production	Imports	Exports	Trade Balance
Japan	32.2	0.7	16.8	+16.1
EC	10.7	9.3	1.2	-8.1
USA	5.4	11.2	0.9	-10.3

(Source: The Commission: The European Electronics and Information Technology Industry 1991)

In Europe, this industry had long been divided among numerous firms operating in fragmented national markets in which governments often played important roles. The declining international competitiveness in electronics products caused major structural changes in the European market. For example, a report commissioned by the EC and published in 1985 found that locally-owned firms, were, in general, far less productive than their Japanese counterparts. This lagging international competitiveness was evident in virtually all major electronics products groups. These trends, together with the spectacular rise of the Japanese electronics firms, had led to global Japanese leadership with only a modest European and American presence, as highlighted in table 5.4. This Japanese challenge to the European electronics industry encouraged widespread mergers, acquisitions and other forms of restructuring in Europe during the 1980s. For example, Philips took control of Grundig; Thomson acquired Telefunken, Nordmende, and Ferguson; and Nokia gained control of Oceanc and the German subsidiary of ITT. By the

end of 1980s, these three firms, Philips, Thomson, and Nokia had emerged as the EC's pre-eminent locally based manufacturers.¹⁵

Tariffs, voluntary export restraints and a range of antidumping measures had all worked to encourage Japanese electronics firms to invest in the EC. Such policies did not only accelerate investment that would have taken place in any case, but they also increased investment substantially above the level it would otherwise have reached (Belderbos 1995). A wave of antidumping actions, concentrated in the second half of the 1980s, targeted Japanese electronics firms and often led to the imposition of duties. Under the EC's antidumping law, based on the GATT antidumping code, EC firms could petition for and be granted protection against imports if there was evidence that the imports were sold below the normal value of the products and if the dumped imports were found to cause material injury to the firms. Normal value can be defined either as the price in the country of export or the fully allocated production cost. In addition, the EC later amended its antidumping law to make it applicable to Japanese assembly plants in Europe. This was effectively administered as local content rule. Under the local content rules, duties could be levied on products assembled in EC plants if the following conditions were met: i) the assembly plants were set up or had increased production after the antidumping action, and ii) more than 60 percent of components used in the EC assembly were imported from the home country. It was invoked seven times from 1987 to 1990, with five cases concerning Japanese electronics products.¹⁶ EC policies significantly influenced not only the pattern of Japanese trade but also the development and character of Japanese electronics firms in Europe. EC trade measures against Japan induced Japanese electronics firms to engage in full manufacturing operations in the EC, and thereby partially replaced exports with local production by 1992.

5.2.1 Form of interest representation

Since there were only a few European electronics firms and their international competitiveness was relatively limited, it was more of the EC's initiative to exercise the

¹⁵ Interview with the EU-Japan Centre for Industrial Cooperation, Tokyo, 7/2/05

¹⁶ Interview with JETRO, Tokyo, 3/2/05

antidumping instrument and local contents rules to address its “Japanese problems”: the advance of Japanese firms in high technology markets of the EC, the relative weakness of EC firms, and the increasing bilateral trade deficit. A few European firms, such as Philips and Grundig, directly lobbied the Commission, as well as mobilized at national level for some product areas such as VCRs and CD players. However, there was no significant individual or collective lobbying by the firms at EC level. Unlike the automobile sector, European firms did not form a strong pan-European association to cultivate networks with the EC, instead relying on their traditional national lobbying channels. In this sense, European electronics firms mainly pursued the intergovernmental and corporatist relationships with the EC policymakers more so than automobile firms.

The Commission was the authority administering the EC antidumping system. After receiving a complaint from EC firms, the Commission carried out an antidumping investigation if the complaint was judged to be well founded. If the investigation found dumping as well as injury, antidumping duties could be levied for a period of five years, or agreements could be made with the exporting firms involved, by which these firms promised to keep the process or quantities at a certain level. The negotiation of these trade measures set the stage for a unified commercial policy in the EC, with the Commission as the main actor instead of the respective governments. However, it should be noted that, although the Commission had broad decision-making powers and was responsible for the implementation of EC antidumping rules, the individual member states had to approve any definitive antidumping action through the Council of Ministers. Since only one antidumping case was rejected by the Council, it effectively rubber-stamped the Commission’s proposals, allowing substantial autonomy to the Commission. However, during the investigation the Commission received member states’ comments on each case through the Council of Advisers and was obliged by law to hear the Adviser’s opinions. Thus, the Commission was likely to decide on cases by taking member states’ interests, as represented by the Council of Advisers, into account in order not to face defeat in the Council. In this sense, there was no significant lobbying by European electronics firms and business associations at EC level.

Japanese practice

Since these trade barriers did not lead to the creation of single trade accord between Japan and the EC like in the automobile case, there was no significant lobbying activity by Japanese electronics firms against specific EC trade policies. Instead, they tended to rely on MITI to negotiate trade measures with the EC and accepted MITI's guidance. Their relationship with MITI was characterized by the traditional institutional model based on a strong initiative of bureaucracy in the policymaking process (Zhao 1993, Tsujinaka 1997, Kono 2003). In other words, Japanese electronics firms had little incentive to change their form of interest representation, since their European operations were determined by MITI. It was logical for them to utilize national business associations to channel their European political interests instead of individual lobbying.

Generally speaking, the policy preferences of the electronics firms were normally expressed through industrial associations, represented by the Electronics Industries Association of Japan (EIAJ).¹⁷ This association, with a membership of roughly 600 companies including some 50 foreign affiliated firms, covered consumer and industrial electronic products. The principal product areas covered by the EIAJ were consumer electronics, electronics components and devices, and industrial electronic equipment. Sony, NEC, Toshiba, Hitachi, Matsushita and Mitsubishi Electric played a pivotal role in decision-making in the EIAJ. All the past chairmen of EIAJ had been selected from these firms (Yoshimatsu 2000: 86). The EIAJ had a committee on European affairs. However, its activities were only limited to monitoring and analysing the European market, and providing information to its members. In addition, EIAJ's broad policies were decided at its annual conference, which all members were entitled to attend. Important issues affecting the electronics industry were deliberated at the executive council and board of governors meeting. The executive board, comprised of governors (up to 60 people) and auditors, were elected at the annual conference.¹⁸ It was very rare for Japanese electronics firms to conduct individual lobbying as Japanese electronics firms preferred to act together whenever possible and emphasized the consensus among them.¹⁹

¹⁷ Merged with Japan Electronic Industry Development Association (JEIDA) in 2000 and re-named as JEITA (Japan Electronics and Information Technology Industries Association)

¹⁸ EIAJ homepage: <http://www.jeita.or.jp/eiaj/english/about/profile/pro04.pdf>

¹⁹ Interview with Fujitsu, Tokyo, 10/2/05

5.2.2 Instrument

As mentioned earlier, there was no significant lobbying by European electronics firms at the EC level. European firms mainly lobbied their host governments to impose these trade measures against Japanese firms. These networks between European firms and member governments confirmed the trends of corporatism, which had been prevalent during the pre-TEU period (Schmitter 1974, Schmitter and Streek 1999), and intergovernmentalism (Keohane and Hoffman 1990).

At the same time, some European firms sought to cooperate with Japanese firms by collaborating in technological advancements, such as Philips and Sony in CD players, in order to secure their interests in the EC. Such transnational strategic alliances enabled some European firms to bypass the traditional national lobbying channels and laid the basis for them to become pan-European actors. In 1982, Philips and Grundig, the EC producers of videocassette recorders (VCRs) with Philips' V-2000 standard, filed an antidumping petition against Japanese firms with the Commission. Rising Japanese import penetration prompted EC wide policy responses. As a result, the Commission negotiated with MITI the Community's first ever voluntary restraint agreement (VRA). Under the terms of the agreement, the Japanese agreed to restrict VCR exports to the EC for three years, beginning in 1983. In addition, this VRA set minimum prices that were pegged at levels designed to close the gap between Japanese and Philips VCR production costs. Yet, European impediments to Japanese VCR imports did not stop there. For example, following expiration of the VRA accord in 1985 the Commission chose to raise the Community import tariff on VCRs from 8 to 14 percent. Moreover, certain member states such as France imposed informal national import quotas even after the termination of the 1983 accord. And signals from various member states encouraged the Japanese unilaterally to restrain VCR exports to the EC in subsequent years.²⁰ Although European electronics firms in the VCR industry failed to maintain significant shares of local markets, through national and European policy channels, they tried to limit Japanese exports into the EC. Yet, overwhelming Japanese competitive strength largely forced

²⁰ Interview with the EU-Japan Centre for Industrial Cooperation, Tokyo, 7/2/05

European electronics firms to abandon their attempt to popularize their own VCR format in 1985, and in subsequent years they started to adopt the Japanese patented VHS system instead. Thereafter, the European VCR market was largely dominated by Japanese electronics firms, as well as European firms operating under Japanese license (see table 5.5).

Table 5.5 The EC VCR market (millions of units)

Year	Total EC sales	Total EC production	Japanese share of total EC production	Japanese imports
1982	5.0	0.9	0.7	4.0
1985	5.4	2.2	1.7	3.1
1986	6.5	2.9	2.3	3.3
1987	8.2	4.2	3.0	3.5
1988	10.1	5.0	4.6	3.2
1989	11.1	6.2	5.6	3.6

(Source: JEITA)

Another important case is about the compact disc (CD) players. Phillips was determined that it would not repeat the mistakes over format standards it had made in the VCR contest. Accordingly, after fellow European producer Thomson declined to enter into joint efforts to develop a commercially viable CD player, Philips approached Sony about collaborating in further development of the product. Sony agreed to cooperate in such development and in the creation of a single standard for the new product. Pursuing a strategy to make their co-developed CD player standard throughout the industry, Philips and Sony licensed the technology to virtually every electronics firm that sought to obtain it. Although this action led to the universal adoption of the Philips-Sony standard, it also enabled all the major Japanese electronics firms to manufacture and compete in the CD player market. Consequently, anticipating a Japanese challenge in this new product segment, Philips and its member state backers successfully lobbied the Commission to institute a special 19 percent tariff on imported CD players from 1983. The rate of this tariff steadily declined, to 16.5 percent in 1987 and 9.5 percent in 1989. However, in 1987 the Commission launched an extensive anti-dumping investigation, which led to the imposition of tentative import duties ranging up to 34 percent in the summer 1989 and to final duties ranging from 8 to 32 percent in 1990 (Mason 1997: 95).

Japanese practice

As already mentioned, there was no significant electronics lobby for the trade policies at EC level. Most negotiations were done between the Commission and MITI, and Japanese firms agreed to accept MITI's policy guidance. In this sense, similar to European firms, Japanese electronics firms also relied on their national policy channels and were embedded in a corporatist business-government relationship (Sachwald 1995, Yoshimatsu 2000, Hartcher 1998, Johnson 1982). Regarding the relationship between MITI and the electronics sector, there were several ex-MITI officials in the EIAJ facilitating to maintain the close corporation between the two organizations. The secretary of the EIAJ was traditionally sent from MITI as well. In this sense, *amakudari* in the electronics sector was also common practice. Japanese electronics firms mainly attempted to influence the EC trade policies by directly aligning the incentives of the Japanese policymakers through financial inducements. Such Japanese lobbying instruments attempted to absorb part of the external political environment into the firm and business associations, mainly by hiring policymakers.

At the same time, Japanese firms' market competitiveness allowed them to cooperate with their European rivals and helped them to establish themselves as economic insiders in the EC. In other words, instead of attempting to lobby the European policymakers, Japanese firms directly invested in the EC and cooperated with their European rivals in order to avoid the unfavourable trade measures. As for VCRs, JVC, Sony, Panasonic, Hitachi, Sanyo, Mitsubishi, and Toshiba all established manufacturing plants in the EC by the mid 1980s. Two of these Japanese companies entered through joint ventures: JVC with Thorn EMI and AEG-Telefunken, and Panasonic with Bosch. By 1990, NEC, Funai, and Orion also set up local VCR plants in the EC. Similar to the VCR case, when the Commission formally decided to initiate its anti-dumping investigations in 1987, Japanese electronics firms began to directly invest in EC-based CD player manufacturing plants to circumvent the anti-dumping duties. Between 1987 and 1990, no less than ten Japanese firms together established eleven such operations in the EC. For both products, the EC and member states placed major constraints on the

local investments of Japanese firms in the form of local content rules. These European trade policies encouraged Japanese electronics firms to localize their EC operations rapidly. By 1990, virtually all plants had reached 45 percent local content levels and some had achieved even higher levels of local sourcing.

In addition to their localization strategy to circumvent the EC trade policies instead of direct lobbying, MITI and Japanese firms challenged the Community's trade measures in the GATT. Instead of conducting information or financial incentive lobbying at EC level, Japanese electronics firms chose to use a more diplomatic lobbying instrument. For example, in 1988, the Japanese government made a complaint to the GATT against the EC over its imposition of anti-dumping duties on Japanese products assembled in plants within the Community. It pointed out that the duties discriminated between manufacturers associated with foreign enterprises and domestic manufacturers, even when the latter used the same proportion of imported parts in their finished products. There was no local content requirement on European firms in the consumer electronics field, many of which were importing components from the same sources as Japanese firms operating in the EC (Ishikawa 1990: 85). This was the first time Japan had taken such action against the EC on a major issue at the GATT. Unlike the case of automobiles, where Japan accommodated the pressure from the EC and restricted exports, the Japanese electronics firms made a stand against what they saw as distortion of GATT rules. The GATT panel ruled in favour of Japan and the panel report was adopted by the GATT Council on 16 May 1990. This success encouraged Japanese firms to be more vigilant with respect to the way in which the EC applied GATT rules, and to press for tighter rules in the negotiations on anti-dumping in the Uruguay round (Woolcock and Yamane 1993: 17). Similarly, another area in which Japanese electronics firms had become much more active was that of rules of origin. Japan alleged that the Commission had abused its discretionary powers in this area. As with anti-dumping actions, this stimulated Japan to seek to establish stronger GATT rules for the determination of the origin of the products. The lesson Japan drew from its experience in the 1980s was that it was in its interest to strengthen existing GATT disciplines. Having established international competitiveness in a range of electronics products, Japanese electronics firms shifted away from a policy of accommodating pressure for protection to one of defending its rights under GATT

rules. These examples show that Japanese electronics firms did not employ lobbying instruments directly aimed at the EC, instead they took matters to the GATT. The reliance on GATT to protect their interests in the EC was mainly because there was no exchange relation between the EC and Japanese firms. As various exchange models suggest, the interaction of private and public organizations can be conceptualized as a series of inter-organizational exchanges (Blau 1964, Hillman and Hitt 1999). An exchange relation is only likely to be sustainable when the exchange is reciprocal and both sides receive benefit from the exchange. In the electronics case, Japanese firms did not have much direct contact with the EC. Therefore, they continued to use financial incentive instruments to maintain a corporative relationship with MITI and let the government to put pressure on the EC through GATT, as well as localizing their European operations.

Overall, Japanese electronics firms did not transform their lobbying strategies and stuck to their national lobbying pattern during the pre-TEU period. There was no direct lobbying in the EC. They relied on their business associations to represent their interests and widely used personalized lobbying instruments to feed their views into the EC through the Japanese national channels. Although there were not many European rivals and many Japanese electronics firms were localized in the EC, they did not seek to use their investment power and insider status to influence European trade policies.

5.3 Factors influencing Japanese firms' lobbying strategy formulation

EC factors

Firstly, the EC trade policies influenced the logic of Japanese lobbying in the EC. As discussed in the theoretical chapter, previous studies have suggested that resource dependency matters because neither EU institutions nor interest groups can autonomously pursue and achieve their political goals (Pfeffer 1997, Pfeffer and Salancik 1978). In other words, the nature of policies is the important factor to influence the access pattern of business interests. If a policy deals with technical standards or the regulation of

sophisticated products such as pharmaceuticals, substantive expertise is important. On the other hand, for policies that have a high level of political salience in the member states, the Commission requires information on the preferences of relevant actors (Broscheid and Coen 2007). Furthermore, with regard to nature of policy, emphasis on the intergovernmental or multilevel approach is still a function of the type of policy under discussion, that is to say, the degree to which a policy is regulatory, distributive and redistributive (Coen 1998, Richardson 2001, Wallace and Wallace 2000: 199). Hence, on regulatory issues such as Environmental policy, the Commission can be seen to be taking a policy lead, but member states show a great reluctance to hand over redistributive powers such as taxation or trade policies to the supranational level. As a result, in a Japanese context, the more technical and complicated the policy is, the more likely Japanese firms are given access to the policymaking process since the level of resource dependency is high. Therefore, Japanese firms are likely to conduct more direct lobbying and less collective action through national associations. Alternatively, if the policy deals with few technical matters and concerns national interests, it is likely that Japanese firms are not given much access to the policymaking process, since the level of resource dependency is relatively low. Therefore, they are likely to conduct more collective lobbying through national associations than direct lobbying.

Our findings show that indeed this is the case for the EC trade policies and Japanese firms in both the automobile and electronics sectors. With regard to the hypothesis 1, both Japanese automobile and electronics firms relied on their business associations, JAMA and JEITA, and did not conduct individual lobbying. Although the EC trade policies generated pressure for the removal of regulatory barriers and structural impediments within the Community, this internal dynamic for change did not exist to the same degree in Japan, where the emphasis remained on consensual agreement. In particular, as these trade negotiations between the EC and Japan took place bilaterally at the state level, Japanese industries and individual firms did not see many opportunities to directly represent their views in the EC and were reluctant to change their domestic pattern of lobbying. As JAMA and JEITA did not have European offices in Brussels, there was hardly any Japanese interest representation in the EC. Japanese automobile and electronics firms also began to invest in the EC in order to get around restrictions on

imports. However, such economic localization of Japanese firms did not facilitate them to participate in the EC policymaking process. In other words, there was not much resource dependency between the Commission and Japanese firms for the trade policies. Without much direct interaction with the Commission, Japanese firms had little incentive to change their traditional form of interest representation.

Turning to hypothesis 2, which concerns the impact of the nature of policies on a firm's decision for the lobbying instrument, Japanese firms in both sectors were not given much access to the policymaking process, since the Commission mainly required information on the preferences of European firms. Therefore, their lobbying instruments were directed at Japanese policymakers, especially MITI, which was responsible for the bilateral negotiations with the EC. Therefore, they did not change their traditional lobbying pattern and used a wide range of financial incentive instruments, most notably *amakudari*. The activities of Japanese firms in the EC were seriously restricted by the VERs and local content rules. In the face of protectionist EC trade measures, Japanese automobile firms chose to accommodate these protectionist forces, in order to avert more blatant protection and maintain trade peace between the EC and Japan. In contrast, Japanese electronics firms sought to mobilize GATT to influence EC trade policies. There was no proactive information lobbying in both sectors in the EC during this period.

The findings suggest that the nature of policies do play a role in the formation of lobbying strategies. The nature of trade policies that focused on the protection of European industries seemed to have a negative impact upon the Europeanization of Japanese lobbying. However, it should be stressed that these results need to be compared with the following case studies, which focus on more technical and regulatory policy issues. Comparison of these cases will highlight the impact of EU factors upon Japanese lobbying more clearly.

Sectoral factors

The nature of the EC policies is not the only factor influencing the lobbying strategy formulation of Japanese firms. Each industrial sector has its own institutional characteristics and they are also important determinants that influence the potential for

lobbying strategy formulation. To be more precise, Japanese firms in the electronics sector were more localized than those in the automobile sector because the level of internationalization was much higher. Because of the smaller scale of investment required, and growing concern about protectionist actions, Japanese electronics firms moved more rapidly into overseas production. As Japanese electronics subsidiaries became more established producers, they began to be seen as insiders in the EC, and were judged less on the basis on their ownership. Some Japanese R&D centres in the EC were granted EC R&D subsidies, which suggested that the prevailing view of Japanese firms as outsiders was changing. Sony Germany won approval to participate in three high technology projects sponsored by the EC, one of which was a joint effort with Ericsson and Siemens to develop next generation mobile telecommunications terminals (Belderbos 1995: 367). In contrast, the European automobile industry had a constant problem of overcapacity. As many as six major manufacturers each claimed more than 10 percent of the market share, although none of them boasted a decisive lead over the others. Therefore Japanese participation, whether by export or transplant, in such a close game naturally caused considerable concern and bitterness among European markers.

As discussed in the theoretical chapter, the ability to gain support for issues may be affected by fragmentation in society (Coleman 1988). Generally speaking, in more pluralist structures, institutional arrangements result in a variety of interests coming into play in the policy arena (Hayes 1992), resulting in a fragmentation of political and economic power (Vogel 1996). In the political process of a pluralistic environment, interest groups and firms do not have to compromise with other groups. The policymakers may write or vote for policy that represents a compromise among their constituents, but the actual groups do not have to reach consensus across a variety of issues. A more pluralistic institutional environment creates the incentive for groups and firms to assert their own interests on specific issues in the political process (Murtha and Lenway 1994). The competition among interest groups in a more pluralist political environment is constantly changing, thereby presenting opportunities for firms to act selectively. Thus, the likelihood of firms participating individually in politics is greater in a more pluralist environment (Hillman and Keim 1995). Owing to the limited opportunity structure, firms in a less pluralist industrial sector will choose to participate in the

policymaking process collectively rather than individually. In other words, the less hostile the sector is towards Japanese firms, the easier it is for them to blend into the policymaking process.

The findings from our case studies do not support hypothesis 3. There were strong European rival firms and the dominant European business association in the automobile sector, while Japanese firms occupied a large share of European electronics sector in the absence of rival firms. Yet Japanese firms in both sectors relied heavily on national business associations as the main lobbying channel. In this sense, the presence of dominant European rivals in a sector did not play a role in transforming the traditional form of Japanese business interest representation in the EC. Similarly, turning to the product diversification, which was hypothesized to play a role in choosing a particular lobbying instrument, the findings from our case studies do not support hypothesis 4 either. Despite the stark difference in terms of product diversification between the automobile and electronics sectors, Japanese firms in both sectors primarily focused on MITI and used a number of financial incentive instruments to maintain a cooperative relationship with it.

Overall, market forces alone are unlikely to be sufficient to bring about convergence of lobbying strategies. Japanese firms in the automobile and electronics sectors were faced by rather different sectoral settings; however both relied on their national lobbying channels. It was expected that in the absence of strong European rivals, Japanese electronics firms were more able to become more proactive than automobile firms in the EC and depart from the national lobbying pattern. However, this was not the case for the trade policies.

Corporate factors

Finally, regarding the expectations about the relationship between a firm's resources and its lobbying strategy, organizational theorists emphasize the importance of resources in interest mobilization (McCathy and Zald 1978, Cress and Snow 1988). Individual action loads all costs directly on the participating firms, whereas in collective action, the cost of political action is shared among members (Olson 1965). Thus, larger

firms with more slack resources prefer individual rather than collective action. They have the requisite resources for individual action, and such independent action may allow them to affect a government policy that best favours the firm. In addition, organizational resource also affects the firm's decision about lobbying instrument. In order to develop credibility as a reliable information provider among policymakers, resource rich firms have an advantage over resource poor firms in using an information strategy (Sethi 1982). Therefore, the reason why a firm pursues a particular lobbying strategy is sometimes best understood by enquiring explicitly into their corporate resource availability.

In a Japanese context, the data from the case studies partly supports hypotheses 5 and 6; however this needs to be compared with the other cases in the following chapters. In other words, the findings confirm the expectations that resource poor Japanese firms are more likely to show strong embeddedness in national lobbying patterns. It should be stressed that this result was probably to do with the fact that the pre-TEU period was a formative period of Japanese lobbying and there was not much variation in Japanese firms in terms of their lobbying resources. To be more precise, throughout the 1980s, the Japanese tried to use actual, and the prospect of, inward investment to generate political influence to some extent. Most large Japanese automobile and electronics firms started directly investing in the EC from the 1980s. However, these EC based Japanese firms were not designed for active lobbying and unable to provide the required technical level of expertise or the manpower to monitor the EC policies. These local offices were essentially to manage the local manufacturing plants and monitor the sales in the market. Although many European firms started to realize the increasing regulatory competences of the EC, especially after the SEA and move towards more pluralistic lobbying strategies, Japanese firms in the EC were slow to react to this trend and did not possess enough resources to conduct direct lobbying. In this sense, there was not much differentiation in size and length of presence in the EC among Japanese automobile and electronics firms during the pre-TEU period. Japanese firms were all resource poor in this respect.

Under such conditions, collective action through the national business associations was a logical choice for Japanese firms. Instead of each firm monitoring the political process and attempting to influence this process alone, the business associations performed these functions in a collective manner, thereby creating economies of scale.

Collective action provided a more forceful voice than any one firm, assuming constrained firm-level resources. Regardless of the dues structure for business associations, member firms pooled their resources, resulting in lower per-firm costs of political action. With regard to their lobbying instrument, Japanese firms clearly lacked the resources to conduct information strategies in the EC and chose to focus on maintaining intertwined relationships with the national policymakers based on financial incentive strategies.

5.3 Conclusion

This chapter has laid a contextual analysis of early years of Japanese lobbying in the EC, which constitutes the basis for the longitudinal and cross-sectoral comparison with the following case studies in Chapter 6 and 7. There was no significant direct lobbying initiated by Japanese industries in the EC during this period. The main message is that Japanese firms in both sectors solely relied on their national political channels, mainly MITI, to feed their business interests at EC level. In this sense, their lobbying strategies in the EC were embedded in the traditional Japanese business-government relationship, and did not show any transformation from their domestic lobbying pattern despite the wide spread sizes of their FDI across Europe.

In terms of interest representation, MITI mainly represented both automobile and electronics interests. Japanese firms tended to act as a single interest group through their business associations such as JAMA, and these associations usually permitted MITI to take sole responsibility for conducting the negotiations on the Japanese side, thus assuring the Ministry's primacy in not only influencing but also articulating the demands of the Japanese firms. Therefore, there was no sign of network building between Japanese business lobbies and the EC policymakers. It should be noted that European automobile firms mainly relied on ACEA and European electronics firms used national lobbying channels during the period. Regarding the lobbying instruments, used by Japanese firms to influence MITI, the *amakudari*, a custom by which former high-ranked bureaucrats get executive positions in private firms or associations, was common in both the automobile and electronics sectors. Nevertheless, Japanese firms in both sectors maintained close

networks with MITI to form united fronts. Although there was no significant Japanese lobbying at EC level in the pre-TEU period, Japanese automobile and electronics firms reacted to the EC trade policies in different ways. Automobile firms chose to accommodate the EC's pressure to reduce the trade surplus by agreeing to the 1991 accord, while electronics firms began to localize their operations to circumvent the EC trade measures and challenged the EC's trade policies in the GATT.

To return to our initial hypotheses, we found mixed results. The data gathered from our case studies suggests that only EC factors seem to be relevant to the formulation of Japanese lobbying strategies. Trade policies were closely related to the interests of member states, often leading to state level negotiations. The nature of policies made it very difficult for Japanese firms to participate in the policymaking process. Therefore, Japanese firms had to use their national channels for lobbying and had little incentive to alter their traditional lobbying patterns. The sectoral factors seemed to play little role in a firm's lobbying strategy formulation in the context of EC trade policies. Japanese firms in the automobile and electronics sectors were faced by rather different sectoral settings; however both relied on their national lobbying channels. It was expected that in the absence of strong European rivals, Japanese electronics firms would become more proactive than automobile firms in the EC and depart from the national lobbying pattern. However, this was not the case. Japanese electronics firms were more localized than automobile firms; however firms in both sectors did not lobby in the EC. The corporate factors were difficult to measure for these case studies, since the pre-TEU period was a formative stage of Japanese lobbying and there was not much variation in firms' size and length of European experience. These results need to be compared with the more recent case studies in order to highlight the longitudinal transformation of Japanese lobbying strategies.

This chapter provides a window into the following further case studies of Japanese lobbying in the post- TEU period, which highlight the transformation of Japanese lobbying. In this chapter, the manner in which Japanese automobile and electronics firms were embedded in their domestic lobbying pattern is laid out, as are the bases of economic competitiveness of these firms in the EC. Understanding these institutional settings, in which Japanese firms were initially rooted, as well as the

increasing Europeanization of the policymaking process, is key to the comprehension of the subject matter in the following chapters.

6. Automobile firms in the post-TEU period: The ELV directive

The End of Life Vehicles (ELV) directive (2000/53/EC) came into force on 21 October 2000, and originally required to be implemented into national legislations by 21 April 2002. It is a part of a sequence of environmental legislation that comes from the EU and adheres to the general guidelines of “waste minimization” and “polluter pays”. The Packing Waste regulations and the directive on the Waste Electrical and Electronic (WEEE) are other examples of this field of legislation.

In short, the ELV directive is concerned with cars, vans, and certain three wheeled vehicles. It aims to make vehicle dismantling and recycling more environmentally friendly, and sets clear quantified targets for reuse, recycling and recovery of vehicles and their components, encouraging producers to manufacture new automobile products with a view to their recyclability. The directive’s main objectives are to ensure that 1) producers limit the use of certain hazardous substances in the manufacture of new vehicles and automotive components, 2) the ELVs are subject to de-pollution prior to dismantling, recycling or disposal, 3) treatment facilities operate to higher environmental standards, 4) certain recovery and recycling targets are met by deadlines set by the directive, and 5) by 2007 producers pay all or a significant part of the costs of treating the ELVs.

There are nine Japanese automobile manufacturers in the EU (Toyota, Nissan, Honda, Mitsubishi, Suzuki, Daihatsu, Isuzu, Fuji Juko (Subaru), and Mazda) which produce vehicles and automotive components, counting for approximately 11% of European automobile market.²¹ It was clear that Japanese automobile firms as well as other European and American rivals would be by far the most affected by this directive. In the European automobile market, the European Automobile Manufacturers Association (ACEA) is the most powerful industrial lobby and played an important role in the ELV policymaking process, closely working with the Commission. ACEA consists of thirteen automobile manufactures with European plants, including two major American firms, Ford and General Motors. However, ACEA does not include any

²¹ ACEA statistics (2002)

Japanese firms. Hence, in order to lobby for the ELV directive, the Japan Automobile Manufacturers Association (JAMA) and individual Japanese firms were forced to operate as a separate lobby in the EU.

This chapter firstly explains the development of the ELV policymaking process with reference to several key issues of the directive. Then, it examines how European and Japanese automobile firms conducted their lobbying campaigns for the ELV directive in the following two aspects: the form of interest representation and the instrument. In addition, the chapter analyzes the impact of EU, sectoral and corporate factors upon formation of Japanese lobbying, and compares the result with the pre-TEU Japanese lobbying presented in Chapter 5. Examination of these points will provide an interesting case study which highlights how and to what extent Japanese automobile firms transformed their traditional lobbying patterns to maximize their interests during the post-TEU period.

6.1 Development of the ELV policymaking process

Scrap cars have been recycled on an industrial scale for many decades and long before any national or European legislation was enacted. Driven by the recovery of valuable metals and the re-sale of used parts, vehicle recycling has been an economic activity in Europe for many years: the first big automobile shredder began its operation in 1958 (Reinhardt 2005). The origin of the ELV directive can be traced back to the early 1990s. Following the Council Resolution of 7 May 1990 on waste management policy, the Commission proposed various measures to combat certain categories of waste. Several waste streams had therefore already been the subject of the EU regulation such as waste oil, waste batteries and accumulators, waste packaging, and sewage sludge. The ELV project group was set up within the DG Environment in 1991 and its work over the period of 1991-94 resulted in a set of key documents being drafted and adopted, in particular the information document, the analysis document and the strategy proposal document. It was the latter document that was submitted to the Commission as the official paper to guide it in its task of drafting a legislative proposal on the ELV issues.

Besides, the fifth Community action programme in the field of environment and sustainable development stressed the need to modify both methods of production and consumer behaviour. Thus, the European Parliament called on the Commission based on the resolution of 14 November 1996 to legislate waste streams, in particular the end of life vehicles. The Commission took the view that a specific directive was necessary given the importance of the type of waste. This position was shared by the OECD Working Party on waste streams whose 1995 report considered the treatment of the end of life vehicles as a priority towards the overall objective of reducing waste.²² Nonetheless, while the Commission was responsible for proposing responses to problems, the Council, the EP, the Court of Justice, and several organized policy communities/industries also played an important role in agenda-setting.

At the same time, increasing pressure from national governments led the automobile industry to sign off voluntary agreements to achieve higher recycling and recovery rates and accept responsibility for the treatment of ELVs. Twelve European countries developed voluntary agreements by the mid 1990s. Prompted by such national legislation, the ELV directive was developed in order to create a more harmonized EU approach to waste management and encourage sustainable development of the EU environmental policies.

There are several major controversies about the ELV proposal among the automobile firms in the EU as listed below. Many of these concerns were shared by all major business actors while other issues were raised individually. Overall, the proposal of the ELV directive was seen by the industry as bureaucratic, inflexible, partly contradictory to other environmental regulations and too costly without generating the necessary environmental wins.

Producer responsibility:

The first and most important issue which the automobile industry wanted to address was to do with producer responsibility. That is to say, they claimed that it was not reasonable to force the producers to bear the full cost of treatment of ELVs. They particularly raised objections regarding a cost-free take back of end-of-life vehicles

²² SCADPlus: Management of the ELVs: <http://europa.eu.int/scadplus/leg/en/lvb/l21225.htm>

incorporated into the proposal that would retrospectively apply to vehicles designed and produced before the directive was put into force. They argued that this would impose on the automobile industry high financial obligations that were bound to affect the economic situation of the sector and its competitive position.²³

Recovery rate of the ELVs:

The targets for total recovery were split into a target for reuse (materials reused for the original purposes), recycling (materials reused for other purposes) and energy recovery (materials incinerated to generate energy). However, there was an over-emphasis on reuse and recycling. The main result of this would be that the development of new concepts of lightweight construction use, for example composite materials, could be extremely hindered as heavyweight automobiles contain more materials subject to recovery; therefore, making it easy for manufacturers to reach the recovery target set by the directive. However, this lightweight construction was needed to reduce fuel consumption and thus vehicle emissions. Furthermore, the increasing use of materials made from renewable natural resources would be hampered. These types of materials could be suitable for energy recovery, but not for recycling. For these reasons, the automobile industry criticized that it was not clear how the recovery target had to be calculated and a clear definition was needed. Not defining these rates from the outset would create confusion and made it difficult for manufacturers to work towards a clear goal.

Prohibited materials:

According to the proposal for the ELV directive, automobile parts and components containing lead, mercury, cadmium and hexavalent compounds of chromium had to be removed in the process of subsequent recycling from all vehicles sold as from 2003. The automobile industry claimed that the application of lead in steel and aluminium alloys, for example, allowed them to be machined more easily and thus had a useful role in energy conservation and lightweight construction.²⁴ Exemptions from the

²³ Press release on the ELV directive submitted by ACEA: 13/7/99

²⁴ Press release on the ELV directive submitted by ACEA: 7/7/98

list of prohibited materials were listed in the Annex II of the directive. The automobile industry criticized that these exemptions were still limited and based on technical facts only, not taking into account ecological or economical matters.

Spare parts:

The automobile industry argued that spare and replacement parts containing those banned materials should be excluded from the scope of the ELV directive. Otherwise, spare parts with a changed design may no longer be compatible with the product in which they were originally used. In other words, consumers would not be able to purchase the right spare part if it contained one of the banned materials outlined in the directive. As a result, the whole vehicle might have to be disposed of. Automobile firms claimed that this would create unnecessary waste, and called for the exemption of spare parts for maintenance of finished products that were put on the market before the substitution deadline.

Finally, the End of Life Vehicles (ELV) directive was adopted by the EP and the Council on 18 September 2000 in order to prevent waste from end of life vehicles and promote the collection, re-use and recycling of their components to protect the environment. The ELV policymaking process, like any other EU policies, took several years to develop the proposal into the directive, and involved multi-levelled interactions and lobbying among a number of stakeholders. Therefore, the period from 1998 to 2000 is the prime concern of this chapter when examining the development of Japanese automobile firms' lobbying strategies towards the ELV directive.

The directive defines an end of life vehicle as any type of vehicle which is waste within the meaning of directive 75/442/EC. It forces manufacturers to pay take-back and recovery costs for vehicles on the market from 1 July 2002. At the moment, 75% of end of life vehicles are recycled. The aim of the directive is to increase the rate of reuse and recovery to 85% by average weight per vehicle and year by 2006, and to 95% by 2015. In addition, use of lead, mercury, cadmium and hexavalent chromium became prohibited in materials and components in vehicles put on the market after 1 July 2003. This directive is based on Article 175 of the EU treaty. Therefore, member states are entitled to adopt

stricter measures for environmental protection as long as these measures comply with Community law such as the principle of free movement of goods laid down in Articles 28-30 of the Treaty.

The final date for implementation in the member states was 21 April 2002. France, Belgium, Luxembourg, Italy, UK, Ireland, Greece, Spain, Portugal, and Finland all missed this deadline although the Commission formally requested these countries to adopt national laws concerning end of life vehicles on 21 October 2001. On 8 April 2003, the Commission referred all of these countries except Spain and Portugal to the European Court of Justice. Consequently, all new member states had to transpose the directive by the date of their accession on 1 May 2004. As of 2005, eleven of the old and nine of the new member states had officially communicated their national transposition measures to the Commission.

6.2 Lobbying strategies of European and Japanese automobile firms

This section examines European and Japanese lobbying strategies for the ELV directive with reference to their form of interest representation and lobbying instrument. This allows the opportunity to compare European and Japanese lobbying strategies and clarify the embeddedness of national characteristics vis-à-vis Europeanization of Japanese automobile firms.

6.2.1 Form of interest representation

Under current EU policymaking process, firms have become the integral players, participating directly as independent political actors or collectively through cross-border, strategic, and sometimes ad-hoc, business alliances with other countervailing interests. In the context of Olson's logic of collective action (1965), the increased number of direct lobbying by firms is also explained by the fact that traditional business associations are unable to cover all aspects of increasing EU policies and fail to provide their members with significant selective incentives. Large firms have developed political capacities to

initiate either individual or collective lobbying according to the issues, and learned to utilize various forms of interest representation to suit their needs (Coen 1997, 2001, Mahoney 2007). In this sense, large firms are no longer bounded by collective lobbying through national business associations which was prevalent in pre-TEU period. Firms enjoy political autonomy and, if they decide to conduct lobbying collectively, this decision is rather strategic and not seen as the only option available to them. For large firms in the EU, both individual and collective lobbying can be mutually reinforcing strategic activities.

Most European automobile firms now have an EU affairs office in Brussels, staffed by lobbyists knowledgeable in the workings of the EU institutions. In some aspects of the ELV policymaking process, lobbying campaigns were initiated directly with the Commission, the EP and other European policymakers by individual firms. For example, Volkswagen and other German manufacturers actively proposed radical changes regarding the liability and recycling of heavy metals.²⁵ Besides, individual European firms were also able to choose their level of lobbying and utilized both national and European channels. For example, when the Commission was unreceptive and sought not to accept any major amendments regarding producer responsibility, Volkswagen and other German manufacturers altered their lobbying focus and mobilized national support at the regional level. The result of such domestic pressure upon German government was that the German Environmental Minister cancelled the proposed Council of Ministers Environmental meeting in early 1999 and slowed the policy formulation down, giving the automobile firms some extra time for lobbying (Coen 2003). The German manufacturers also lobbied national governments via their subsidiaries in Spain (Seat) and the UK (Rover) to support the German government's revisions at the Council of Ministers.

In addition to individual lobbying, most automobile firms also channel their lobbying efforts through pan-European business associations. As described in the previous chapter, the European Automobile Manufacturers Association (ACEA) is the most powerful automobile business lobby, representing the interests of thirteen EU-based automobile manufacturers including two major American firms, Ford and General Motors. National associations of manufacturers in the EU member state are also associate

²⁵ Interview with the DG Environment, Brussels, 11/10/05

members of ACEA. ACEA was established in 1991 as a response to the gradual shift to Brussels of governmental responsibility for many of the complex economic, social, technical, and legal issues resulting from closer European integration. Its tasks include monitoring and analysing issues of common interest to its members, informing them on developments in these areas, elaborating and implementing the industry's common positions, and supporting the EU institutions in dealing with matters of significance to the sector. Through its special working groups and an extensive network of individual experts from member companies at all level of industry, ACEA has a high degree of technical expertise and applied experiences. For individual European automobile firms, the membership of ACEA was beneficial for the ELV lobbying as collective lobbying provided a more forceful voice than just a single firm as well as being more economical. At the same time, ACEA sometimes found it hard to make fast responses to issues because of the difficulties in reaching a consensus among member firms. Therefore, European automobile firms used both individual and collective lobbying, depending on the issues of the ELV directive. They have become independent political actors and have developed a strategic political identity to choose the form of interest representation at EU level.

Japanese practice

Traditionally, Japanese firms rely on national business associations for their interest representation, and there is a general lack of individual lobbying in business-government relationship (Zhao 1993, Tsujinaka 1997, Kono 2003). With a presence of strong bureaucracy, business and politics are so closely intertwined that firms simply follow the administrative guidance given by the Ministries. In the EU, many Japanese automobile firms such as Toyota, Nissan, and Honda are all well aware of the increasing EU regulatory competencies and keen to participate in the policymaking process. Unlike the trade policies, environmental policy making process does not involve bilateral negotiations between the EU and Japan. Thus, Japanese automobile firms in the EU could participate in the policymaking process without relying on MITI or other national routes. ACEA does not include any Japanese automobile firms, which also produce in Europe.

Therefore, they are forced to continue as a separate lobby from ACEA. In other words, they have no European political constituency to champion their business interests and are not members of the most powerful business association in the EU. In this sense, Japanese firms have to seek alternative routes to represent their interests.

Japanese automobile firms in the EU all have some kind of public affairs divisions or, at least, have some employees mainly working on the lobbying related issues since the early 1990s. Under such condition, a few Japanese automobile firms, particularly Toyota and Honda are trying to develop their own ways of interest representation in the EU in order to break through the ACEA-dominated automobile sector and enhance their political presence within the policymaking process. To be more precise, Toyota has been focusing on the Europeanization of its corporate image and has invested a lot of resources on its lobbying division in order to strengthen its political influence in the EU. In 2004, the company sold almost 916,000 units in the EU, counting for 5.1% of the regional market share. Its European head office, Toyota Motor Europe, was created in Brussels in 2002, to ensure better coordination between marketing, R&D, manufacturing, and lobbying activities in the EU. The interview with Toyota revealed that it did not want to be seen as Japanese in Europe, and would aim to become an independent political actor without relying on Japanese channels since this seemed the only way to become a policy insider in the EU.²⁶ Other Japanese business actors in the EU also commented that Toyota seemed to be the only Japanese firm in Europe which possibly possessed enough political resource to initiate direct lobbying on their own. Toyota has applied for the ACEA membership several times in the past, however it has not yet been accepted. Honda is also another interesting case. It maintains a lobbying division, staffed by mainly European and actively monitors the EU policymaking process. Honda claims that, if necessarily, it could probably conduct direct lobbying without relying on JAMA.²⁷

In addition to those two firms, other Japanese firms are now in partnership with European and American firms in many aspects of their business. Therefore, they can feed their views through their European partners at EU level. Nissan is a prime example of

²⁶ Interview with Toyota, Brussels, 11/10/05

²⁷ Interview with Honda, Brussels, 12/5/06

using a European partner for its interest representation. Nissan has been in partnership with Renault since the late 1990s. Renault possesses about 44% of Nissan's stock while Nissan holds about 15% of Renault's. Nissan's lobbying division shares the facilities with Renault's office in Brussels, and they work very closely with each other. Therefore, as well as working with JAMA, Nissan can comfortably rely on Renault which is, of course, a member of ACEA meaning that it is well-placed to gain insider information and feed its views through the EU policymakers. Similar cases include the close cooperation between Mazda and Ford.

As for the ELV issues, Japanese automobile firms were all concerned with the potential impact of the directive upon their business operations from the early stage of its policymaking process. However, despite a growing awareness for the need of proactive lobbying in the EU, the number of direct lobbying to the Commission and the EP initiated by individual Japanese firms was still relatively limited. Interviews with the official at the DG Environment revealed that Japanese automobile interest were collectively represented under JAMA and individual firms did not lobby the EU directly, compared with other European and American firms.²⁸ A JAMA official commented that apart from a few members, especially Toyota, the rest of the Japanese firms did not have much direct dealings with the EU policymakers and preferred to lobby collectively.²⁹ This was partly because there was a general consensus regarding their shared ELV interests among Japanese firms, and so most of the time there was no need to conduct separate individual lobbying. Collective lobbying through JAMA obviously made Japanese automobile interests more noticed. The reluctance of most Japanese automobile firms to conduct individual lobbying does not always mean that Japanese automobile interests are underrepresented in the ELV policymaking process. The Japan Automobile Manufacturers Association (JAMA) acts to represent the Japanese automobile industry at EU level. JAMA was established in 1967 and its European office in Brussels opened in 1990. It includes fourteen Japanese manufacturers, nine of which produce and sell their products in Europe. Members of JAMA count for about 11% of European automobile market and employ more than 190,000 people across Europe. JAMA and ACEA set up four working

²⁸ Interview with the DG Environment, Brussels, 11/10/05

²⁹ Interview with JAMA, Brussels, 12/10/05

groups, focusing on ELVs, CO2 emissions, road safety, and e-safety technology. These working groups meet on a regular basis in Brussels, and they also organize a formal conference once a year where the head of these two associations discuss the broad direction of their cooperation and shared interests

For the ELV issues, JAMA was the major Japanese business stakeholder actively communicating with European policymakers although JAMA admitted that working in line with ACEA was essential when conducting lobbying in the EU.³⁰ All Japanese automobile firms in the EU heavily relied on JAMA. However, JAMA European office suffered from paralysis as well. In other words, the outline of its European lobbying strategies needed to be decided by JAMA Tokyo office, and it was the Tokyo office that always had a final decision making power. Its tortuous internal decision making procedures made any fast response impossible. JAMA officials commented that they recognized this problem and tried to speed up its decision making process, however it was sometimes difficult to take any immediate action against the constantly changing ELV directive proposals.³¹ In this sense, the role of JAMA European office was limited to monitoring and analyzing the EU issues. JAMA European office was closely linked to its headquarter in Tokyo and, therefore, tied to the Japanese business-government relationship. Yet, it is pointed out that the Japanese government and Ministries were no longer directly involved in Japanese automobile lobbying in the EU, however they would always support JAMA and maintain close links with it behind the scene.³²

In terms of interest representation at EU level, Japanese automobile firms showed several different preferences. In a political setting where ACEA dominates the industry, some firms, especially Toyota, decided to focus on localization of their interest representation either on their own while other Japanese firms had to rely on JAMA or their European partners. Despite their high profiles in the market, the latter group of firms had little incentive to develop their own lobbying campaigns despite their high profiles in the EU. As a result, in terms of the preferences of the Japanese automobile firms for the form interest representation at EU level, there appeared to be a bi-polar situation where

³⁰ Interview with JAMA, Brussels, 7/6/04

³¹ Interviews with JAMA, Brussels, 7/6/04, 12/10/05

³² Interview with METI, Tokyo, 2/2/05

some firms mainly focus on lobbying either individually or through non-Japanese channels while others chose collective lobbying through JAMA.

6.2.2 Instrument

In the EU, firms need to be proactive and directly participate in the policymaking process in order to avoid unfavourable policy outcomes. It is true that the EU political system is more consensual than adversarial. Like the Japanese system, it is often more important to reach agreement than for one side to win, and there are usually too many sides for any single one to emerge as the sole victor (Titley 2005). However, during the consultation period, firms have to actively lobby the EU policymakers in order to feed their views and shape the policies in their favour. This is a clear difference of the EU business-government relationship from the Japanese one. From the point of exchange theory (Blau 1964, Levine and White 1961, Alpin and Hegarty 1980), this is the information strategy which seeks to affect public policy by providing policymakers with specific information about policy positions and may involve providing information on the costs and benefits of different policy outcomes. The desire by large firms to participate directly in the EU policymaking process is reciprocated by the Commission's demand for quick and reliable information (Bouwen 2002, McLaughlin and Jordan 1993, Mazey and Richardson 1993). The Commission relies to a large extent on private actors to supply it with information and to help it draft legislation.

In the ELV context, ACEA and European firms actively lobbied against the directive. One of the Commission officials commented that ACEA was very aggressive in their position papers and at the negotiation table.³³ European firms mobilized both ACEA and directly lobbied the Commission, the EP, and some member states' governments. Especially German automobile firms demanded radical changes in the directive regarding liability and recycling of heavy metals. ACEA appeared on side with the Commission during early directive drafts from 1994 to 1997. Several officials at the DG Environment suggested that ACEA was the most powerful business stakeholder and its views regarding the ELV issues were always taken seriously as a European industrial

³³ Interview with ACEA, Brussels, 16/11/05

consensus view into the Commission's policymaking proposal.³⁴ When the Commission brokered its initial proposals in 1997 and placed a great emphasis on the liability of manufacturers for the recycling and disposal of vehicles, the industry awoke and started aggressively lobbying against the directive as the full cost to the industry became clear in 1998. In this period, European automobile firms mobilized both ACEA and directly lobbied the Commission. There are several major controversies about the ELV proposal among the automobile firms in the EU. Many of these concerns were shared by all major business actors while other issues were raised individually. Overall, the proposal of the ELV directive was seen by the industry as bureaucratic, inflexible, partly contradictory to other environmental regulations and too costly without generating the necessary environmental wins. At the end of the lobbying process, the EP and the Commission working with ACEA agreed on some 39 amendments, and the Council accepted a joint text in 2000.

Japanese practice

In order to participate in the policymaking process and feed their views through the EU policymakers, Japanese automobile firms had to cultivate and establish several networks with other stakeholders. In Japan, the relationship between business and politics is maintained by highly personalized networks based on means such as political donation, fine dining, and *amakudari*, provided by the business community to politicians and bureaucrats (Kubota 1997, Woronoff 1986, Yoshimatsu 2000). However, the strategies to participate in the policymaking process that Japanese automobile firms adopted for the ELV issues were rather different from their traditional patterns.

For the ELV issues, Japanese automobile firms were forced to be a separate lobby outside of the most important forums and had to cultivate networks with the EU policymakers from rather handicapped positions compared with their European and American rivals. Because of this power relationship in the sector, it was also crucial for Japanese firms to maintain a close and good working relationship with ACEA in order to stay informed about the development of ELV policymaking process. It is also interesting

³⁴ Interview with the DG Environment, Brussels, 11/10/05

to note that Japanese firms and JAMA mainly targeted the Commission (DG Environment) for the ELV issues and did not utilize the EP as an alternative policy channel at all. JAMA commented that they did not try to lobby the EP as Japanese firms obviously had no political constituency in the member states and could not afford to lobby both the Commission and the EP with their limited resource.³⁵ Thus, in terms of networking with the stakeholders for the ELV issues, Japanese firms and JAMA mostly concentrated on the Commission and ACEA.

Japanese automobile firms did not try to personalize their networks with the EU policymakers by making political donations or any financial means from the early stage of their settlement in the EU. It is also reported that although some Japanese automobile firms such as Nissan had employed several ex-EU officials as their lobbyists in the past in order to facilitate their access to the EU policymakers, this European type of *amakudari* was not significantly effective (Joos and Waldenberger 2005: 119). This is because the EU institutional setting and personnel have been constantly changing and it is very difficult to build lasting informal networks with particular EU officials. Generally speaking, Japanese automobile firms and JAMA spend a lot of resource on creating a favourable political condition for them in the EU. In other words, since a good working relationship with ACEA is crucial for JAMA, JAMA is very careful not to upset ACEA or any other stakeholders. It annually hosts a big reception in Brussels, inviting the representatives from the automotive industry, the EU institutions, the media and many other business actors. JAMA commented that this reception provides a great opportunity for industry, decision-makers, and stakeholders to come together to informally exchange views, while sampling traditional Japanese cuisine. Moreover, at the initial stage of policymaking process, JAMA often sets up informal occasions with the Commission officials such as dinner meetings to discuss matters in a more relaxed atmosphere. JAMA takes advantage of these informal occasions to exchange information with the Commission, identify the potential problems and to seek compromises.³⁶ These receptions and informal dinners also allowed Japanese firms to create useful networks for ELV lobbying.

³⁵ Interview with JAMA, Brussels, 12/10/05

³⁶ Interview with JAMA, Brussels, 12/10/05

JAMA and Japanese firms have recognized that technical information is an asset when trying to influence EU policymakers. The Commission officials also perceive Japanese automobile brands as a sign of high standard and quality.³⁷ However, since ACEA dominates the EU lobbying scene, they cannot fully utilize their technical expertise at EU level. In other words, because ACEA has a number of advantages over Japanese firms in a lobbying context, it is very difficult for Japanese firms to gain insider status in the EU policymaking process. JAMA has admitted that ACEA always plays the major role when representing European automobile interests whereas JAMA does not have much influence over the whole decision-making process.³⁸ Whenever there is an opportunity, JAMA tries to comment on the discussions between the Commission and ACEA.

For the ELV issues, JAMA submitted a number of position papers and expressed their main concerns listed in the previous section during the consultation period. It also maintained a close link with ACEA, frequently exchanging and sharing their information on the ELV issues. Given the size of Japanese automobile FDI in Europe, the presence of JAMA and Japanese firms could not be ignored. JAMA was invited to many important workshops and meetings by the Commission along with ACEA. Besides, JAMA was good at maintaining a relationship with the Commission via regular e-newsletters. In these newsletters, JAMA introduced the latest Japanese automobile news and technologies to the Commission, implying that they could comply to certain aspects of the directive which ACEA could not do such as the heavy metal ban without causing a problem with other stakeholders. Overall, one of the Commission officials commented that JAMA was well-established and certainly inside of the ELV policymaking process, but not yet achieved to gain the core insider status as ACEA.³⁹ In other words, JAMA and Japanese firms managed to establish some networks with the Commission by utilizing their expertise and novelty, however these networks were not as strong as the ones between ACEA and the Commission. One JAMA official argued that if they had to summarize Japanese automobile lobbying against the ELV directive in one word, it

³⁷ Interview with the DG Environment, Brussels, 11/10/05

³⁸ Interview with JAMA, Brussels, 12/10/05

³⁹ Interview with ACEA, Brussels, 16/11/05

would have to be “consensus”.⁴⁰ Every decision regarding its ELV lobbying strategy was made by consensus. JAMA and Japanese firms always made a lot of effort to have a united front as the Japanese automobile industry. Avoiding confrontation among member firms is always a really important work ethic in JAMA European office.⁴¹

Although cooperation with ACEA was an essential element of Japanese automobile lobbying instrument, ACEA had a rather different perception of Japanese automobile firms. One of the ACEA officials commented that Japanese firms seemed to lack the principle of “give and take” in terms of information sharing. That is, they just wanted to access to ACEA’s insider informatio, but hardly provided any useful information regarding Japanese technologies or their general lobbying strategies in return.⁴² This confirmed that Japanese firms were still unable to establish themselves as a core insider within the policy process, and also highlighted that it is still unlikely for Japanese firms to be included in ACEA in the near future. In addition, for the ELV issues, the Japanese lobbying strategy, which is based on the consensus-based internal decision making, was not well perceived by ACEA and the Commission. ACEA commented that it took JAMA and Japanese firms too long to reach any agreement, and that it was frustrating for ACEA when these two associations had to consult with each other regarding ELV issues. The Commission argued that it would like to receive as many business opinions as possible when drafting the directive. However, Japanese automobile interests were often internally scanned by JAMA and their headquarters in Japan, and the Commission could not benefit from the diversity of Japanese automobile interests.⁴³

As a result of JAMA’s limited information access to the Commission, some Japanese firms also started to cultivate networks with the EU policymakers on their own. The prime example is again Toyota. It has employed several ex ACEA and Ford lobbyists and tried to conduct its own informational lobbying. For the ELV issues, Toyota largely relied on JAMA. However, in general it has established close networks with Commission officials at every level and holds regular meetings with them (Joos and Waldenberger 2005: 116). The interview with Toyota suggested that its networking with

⁴⁰ Interview with JAMA, Brussels, 12/10/05

⁴¹ Interview with JAMA, Brussels, 12/10/05

⁴² Interview with ACEA, Brussels, 16/11/05

⁴³ Interview with the DG Environment, Brussels, 11/10/05

other stakeholders has just started and Toyota would like to directly participate more in the Commission and the EP in the near future.⁴⁴

On the whole, Japanese automobile firms tried to cultivate networks with other stakeholders for the ELV directive in a similar manner as ACEA. However, because of their rather disadvantageous position in the sector, their networks with the EU policymakers were not as sound as the ones of ACEA. Besides, the Commission recognized the presence of Japanese automobile firms in the EU, but did not have much need to grant them a wide range of access since it could comfortably rely on ACEA for technical information. In order to improve the situation, Japanese firms spent a lot of resources on creating a favorable environment for them by hosting receptions and organizing informal dinners with the Commission officials. In this sense, some elements of personalized and informal lobbying instrument could be found in these activities. However, such personalized networks were not the most significant feature of Japanese automobile lobbying for the ELV directive. They tried to learn information lobbying although they were not as successful as other European firms. Overall, it appears that Japanese automobile industry as a whole tried, but could not utilize information lobbying strategy to the full.

6.3 Factors influencing Japanese automobile firms' lobbying strategy formulation

EU factors

Firstly, the nature of the ELV directive influenced the pattern of Japanese lobbying in the EU. As discussed in the theoretical chapter, previous studies have suggested that resource dependency matters because neither EU institutions nor interest groups can autonomously pursue and achieve their political goals (Levine and White 1961, Pfeffer and Salancik 1978). In other words, the nature of policies is an important factor influencing the access pattern of business interests. If a policy deals with technical standards or the regulation of sophisticated products such as pharmaceuticals, substantive

⁴⁴ Interview with Toyota, Brussels, 11/10/05

expertise is important. On the other hand, for policies that have a high level of political salience in the member states, the Commission requires information on the preferences of relevant actors (Broscheid and Coen 2007). Furthermore, with regard to the nature of policy, emphasis on the intergovernmental or multilevel approach is still a function of the type of policy under discussion, that is to say, the degree to which a policy is regulatory, distributive, and redistributive (Coen 1998, Richardson 2001, Wallace and Wallace 2000: 199). Hence, on regulatory issues such as Environmental policy, the Commission can be seen to be taking a policy lead, but member states show a great reluctance to hand over redistributive powers such as taxation or trade policies to the supranational level.

As a result, in a Japanese context, the more technical and complicated the policy is, the more likely Japanese firms are given access to the policymaking process since the level of resource dependency is high. Therefore, Japanese firms are likely to conduct more direct lobbying and less collective action through national associations. Alternatively, if the policy deals with few technical matters and concerns national interests, it is likely that Japanese firms are not given much access to the policymaking process since the level of resource dependency is relatively low. Therefore, they are likely to conduct more collective lobbying through national or European associations than direct lobbying.

Our findings show that this is partly the case. With regard to the hypothesis 1, the highly technical nature of ELV directive facilitated more Japanese lobbying at EU level, but did not affect the form of Japanese interest representation much. Although the ELV directive required much technical expertise to be drafted, this did not encourage Japanese firms to conduct individual lobbying. Instead, most Japanese automobile firms still preferred to represent their interests through JAMA. However, the technical nature of the ELV directive also freed Japanese firms from the national constraints. That is, unlike the trade policies in the late 1980s which was mainly dealt by MITI, the ELV directive policymaking process did not prompt much interference from Japanese government. Therefore, some firms, especially Toyota, decided to use less and less Japanese lobbying channels. Some scholars (Bouwen 2002) argue that the choice over the form of interest representation centers on the kind of information that different types of organizations can provide to the policymakers. That is, firms are best at delivering expert knowledge about

technology while EU associations control information about encompassing European interest of member firms. However, Japanese automobile firms did not follow this logic of interest representation. When they could not join ACEA, they chose to rely on JAMA instead of conducting individual lobbying. In this sense, the Japanese pattern of collective lobbying through business association remained strong.

Turning to hypothesis 2 which concerns the impact of the nature of policies on a firm's decision for the lobbying instrument, our findings show that Japanese automobile firms tried to use more information strategy than financial incentive strategy for the ELV directive. Japanese firms and JAMA recognized that technical information was the most influential lobbying means for the ELV directive. Yet, Japanese firms were not given much access to the policymaking process since the Commission mainly required information on the preferences of European firms. Japanese firms tried to utilize their expertise and information as a tool to influence the Commission, however, both JAMA and ACEA commented that there was no major difference in their main concerns regarding the ELV directive. Thus, the Commission did not have much need to grant a lot of access to Japanese firms as it could comfortably rely on the information and expertise provided by European firms. This actually made it difficult for Japanese firms to make their presence known within the policymaking process. They just followed ACEA and could not stand up for themselves in terms of lobbying. Besides, several EU officials further expressed the view that they clearly preferred ACEA as its most reliable information provider since it represented pan-European industry view, and Japanese automobile firms were still secondary information source.⁴⁵ This indicates that overall Japanese automobile firms were still generally perceived as outsiders, failing to establish sound political credibility at EU level. JAMA commented that they tried to initiate direct lobbying to the Commission, but often ended up following what ACEA wanted to lobby and had done.⁴⁶ For example, during the negotiation of the exemption of spare parts, the Commission held a consultation meeting with ACEA. However, JAMA was not informed about this and found out the outcome of this meeting at much later stage. The interview with one of the Commission officials revealed that the opinions of Japanese firms were

⁴⁵ Interview with the DG Environment, Brussels, 11/10/05

⁴⁶ Interview with JAMA, Brussels, 12/10/05

taken on board, but had less appeal to the Commission than the one of ACEA as Japanese firms did not represent European views at the end of the day. Under such situation, JAMA had to work in line with ACEA for most issues, and was very conscious not to upset its relationship with ACEA.

The findings from the ELV case study suggest that the nature of policies play a role in the formation of lobbying strategies, especially their lobbying instrument. In the face of increasing EU regulatory competencies, Japanese automobile firms did not use financial incentive lobbying, and tried to use information lobbying. Yet, their form of interest representation shows a mixed result. The EU factors weakened the ties between Japanese firms and Japanese government, however most firms still preferred to conduct collective lobbying through JAMA. To compare with the results in Chapter 5, it is clear that the nature of policies play a role in the formulation of Japanese lobbying. Although the number of individual lobbying was very limited for both pre- and post- TEU periods, the ELV directive provided more opportunities for Japanese firms to participate in the policymaking process and generated more pressure for them to act proactively than the trade policies in the early 1990s. While JAMA did not lobby at all in the EC for the trade policies, its European office played an important role for the ELV directive, actively participating in the policymaking process. In addition, the technical nature of the ELV directive facilitated Japanese automobile firms to use information strategy. For the trade policies, Japanese firms did not have much direct contact with the Commission. Therefore, they had little incentive to change their traditional lobbying pattern and used a wide range of financial incentive instruments to maintain a cooperative relationship with Japanese policymakers, especially MITI. In contrast, since the ELV policy making process required much input from a wide range of business actors, Japanese firms also tried to utilize their expertise to influence the Commission.

Sectoral factors

The nature of the EC policies is not the only factor influencing Japanese firms' lobbying formulation. Each industrial sector has its own institutional characteristics and they are also important determinants that influence the potential for lobbying strategy

formulation. As discussed in the theoretical chapter, the ability to gain support for issues may be affected by the fragmentation in society (Coleman 1988). Generally speaking, in more pluralist structures, the institutional arrangements result in a variety of interests coming into play in the policy arena (Hayes 1992), resulting in a fragmentation of political and economic power (Vogel 1996). In the political process of pluralistic environment, interest groups and firms do not have to compromise with other groups. The policymakers may write or vote for policy that represents a compromise among his or her constituents, but the actual groups do not have to reach consensus across a variety of issues. More pluralistic institutional environment creates the incentive for groups and firms to assert their own interests on specific issues in the political process (Murtha and Lenway 1994). The competition among interest groups in more pluralist political environment is constantly changing, thereby presenting opportunities for firms to act selectively. Thus, the likelihood of firms participating individually in politics is greater in more pluralist environment (Hillman and Keim 1995). Thus, owing to the limited opportunity structure, firms in less pluralist industrial sectors will choose to participate in policymaking process collectively rather than individually. In other words, the less hostile the sector is towards Japanese firms, the easier for them to blend into the policymaking process. European automobile industry has a constant problem of overcapacity. As many as six major manufacturers claim more than 10 percent of the market share although none of them boasts a decisive lead over the others. Therefore, Japanese participation in such a close game among European markers naturally causes considerable concern and bitterness.

The findings from the ELV case study support hypothesis 3. Due to the strong presence of European rivals and ACEA, most Japanese firms chose to lobby collectively through JAMA in order to enhance their political power against ACEA. Besides, it almost seems that Japanese firms were reconciled to their semi-outsider position in the European market. One JAMA official commented that the European automobile lobbying scene for the ELV directive was dominated by ACEA and Japanese automobile firms had just followed ACEA, knowing that they could not make much difference.⁴⁷ This lack of desire to compete with ACEA and develop their political credibility within the EU

⁴⁷ Interview with JAMA, Brussels, 12/10/05

policymaking process may explain the rather passive lobbying approach of Japanese automobile firms.

Turning to the product diversification that was hypothesized to play a role in choosing a particular lobbying instrument, the findings from our case studies provide mixed results for hypothesis 4. That is, it is true that Japanese firms and JAMA spent huge resources to create a politically favourable condition by hosting large receptions or other informal events. However, this approach was used to complement their information strategy. A financial incentive strategy was not common practice among Japanese automobile firms in the EU. Although the automobile sector has less product diversification, Japanese firms still tried to conduct information lobbying. It is widely perceived by the EU policymakers that the approaches of JAMA and Japanese automobile firms were very polite and non-confrontational compared with their European and American rivals. One of the Commission officials suggested that Japanese automobile lobbies were very polite and negotiated with the Commission by explaining their concerns based on sound technical information without being assertive.⁴⁸ This non-confrontational approach to the ELV directive was attributed to the sensitive position of Japanese automobile firms in the European market. In other words, JAMA and Japanese firms could not initiate any aggressive lobbying in order not to frustrate ACEA in any way. In this sense, they deliberately chose to conduct their lobbying campaigns in a subtle manner although such lobbying campaigns may not have made a significant impact on the ELV directive. In addition, one remarkable characteristic of Japanese firms in the EU is their eagerness to comply with most regulations and standards set by the EU. Instead of trying to change the EU regulatory framework to suit their interests, Japanese firms often manage to develop their technology and solve problems internally in order to comply with the EU policies. This tendency clearly reflects the lack of proactive lobbying in the traditional Japanese business-government relationship. For the ELV issues, Japanese automobile firms also showed the embeddedness in the traditional emphasis on harmony. Several Japanese automobile lobbyists admitted that Japanese firms had the tendency to obey the EU policymakers as much as they could to avoid open-

⁴⁸ Interview with the DG Environment, Brussels, 11/10/05

confrontation and bad public image. The results need to be compared with the case of electronics sector which shows more product diversification in the next chapter.

Overall, Japanese automobile firms showed strong embeddedness in the traditional emphasis on consensus-based and non-confrontational approaches to the policymakers. Strictly speaking, this was not a choice they made, and was rather the only option available to them since Japanese automobile firms had to closely cooperate with ACEA as well as lobbying the EU policymakers as a separate lobby. Their sensitive power relationships with the EU and ACEA made any bold and aggressive lobbying impossible. It appears that many Japanese firms were reconciled to their disadvantaged position in the market, and almost gave up challenging the existing lobbying environment to strengthen their political influence. To compare with the results in Chapter 5, the sector specific factors keep influencing the form of Japanese automobile interest representation over the two different time periods regardless of the EU and corporate factors. Since European firms and ACEA were the most influential business lobbies in the EU policymaking process, Japanese automobile firms tended to rely on JAMA to provide a more forceful collective voice at EU level. However, sectoral factors have little impact upon automobile firms' lobbying instruments in both time periods. In other words, despite their disadvantaged position in the policymaking process, Japanese automobile firms continued to use information strategy which is prevalent among European firms. A financial incentive strategy was not a common practice among Japanese automobile firms in both case studies.

Corporate factors

Organizational resources should also play a role in a firm's lobbying strategy formulation. Resource mobilization theorists emphasized the importance of resources in interest group mobilization and advocacy efforts (McCarthy and Zald 1978, Cress and Snow 1998). In order to mobilize for a policy debate, resource poor groups need to spend resources conservatively. This inevitably leads them to lobby collectively through some kind of coalitions or business associations so that they could pool resources and stretch

scarce resources. Wealthy groups on the other hand, could lobby on their own and be equipped with sufficient technical expertise and information (Sethi 1982).

Regarding the expectations of the relationship between a firm's resources and its form of interest representation, the findings support hypothesis 5. That is, there is clear variation in Japanese automobile lobbying. Although most Japanese firms opened their offices in Brussels in the early 1990s, Toyota has expanded its office and established a European head office which is equipped with an in-house lobbying team consisting of roughly twenty staff. They include former lobbyists of ACEA and Ford. The other Japanese automobile firms only have a small number of staff, usually one or two personnel, in their EU affairs department.⁴⁹ As highlighted before, resourceful firms, most notably Toyota, appeared to be keen on individual lobbying while other Japanese automobile firms had to rely on JAMA. Based on their investment size and corporate resource, Toyota could possess enough political credibility to act individually and influence the EU public policy. For example, in 1997, Mr. Okuda, the often controversial and outspoken head of the Toyota group at the time, caused a political row in the UK by stating that the firm's future European investment strategy might change if the UK government refused to adopt euro currency (Kewley 2002). An interview with a JAMA official confirmed that most Japanese automobile firms in the EU did not possess enough resource to conduct individual lobbying and had to rely on JAMA for the most aspect of lobbying activities in the EU.⁵⁰

Turning to hypothesis 6 which concerns the impact of the firm's resources on its decision on the lobbying instrument, our findings from the ELV case study did not particularly support hypothesis 6. It appeared that regardless of the resources available to the firms, Japanese automobile firms did not conduct much financial incentive lobbying. Instead, they all tried to utilize their technical expertise as a means to influence the ELV directive policymaking process. Besides, although the willingness to comply with the authority still remained strongly within Japanese firms in the EU, their technological superiority over their European and American rivals may also explain why Japanese automobile firms were relatively non-confrontational in lobbying the ELV directive at the

⁴⁹ Interview with JAMA, Brussels, 12/10/05

⁵⁰ Interview with JAMA, Brussels, 12/10/05

negotiation table. In other words, Japan has generally stricter environmental standards than the EU in many aspects, therefore, Japanese firms could somehow manage to meet the EU requirements by utilizing their expertise developed in Japan.

To compare with the results in Chapter 5, the ELV case study saw more variation in corporate resources among Japanese automobile firms in the EU. The pre-TEU period was a formative period of Japanese lobbying and there was not a significant presence of Japanese firms in the EU. The ELV case study highlighted that resource poor Japanese firms were more likely to show strong embeddedness in collective action through national business association. However, such corporate factors seemed to have little impact upon Japanese firms' lobbying instrument. Regardless of the degree of corporate resource, Japanese automobile firms tried to adopt the European style of information lobbying strategy. This trend was strengthened in the post- TEU period.

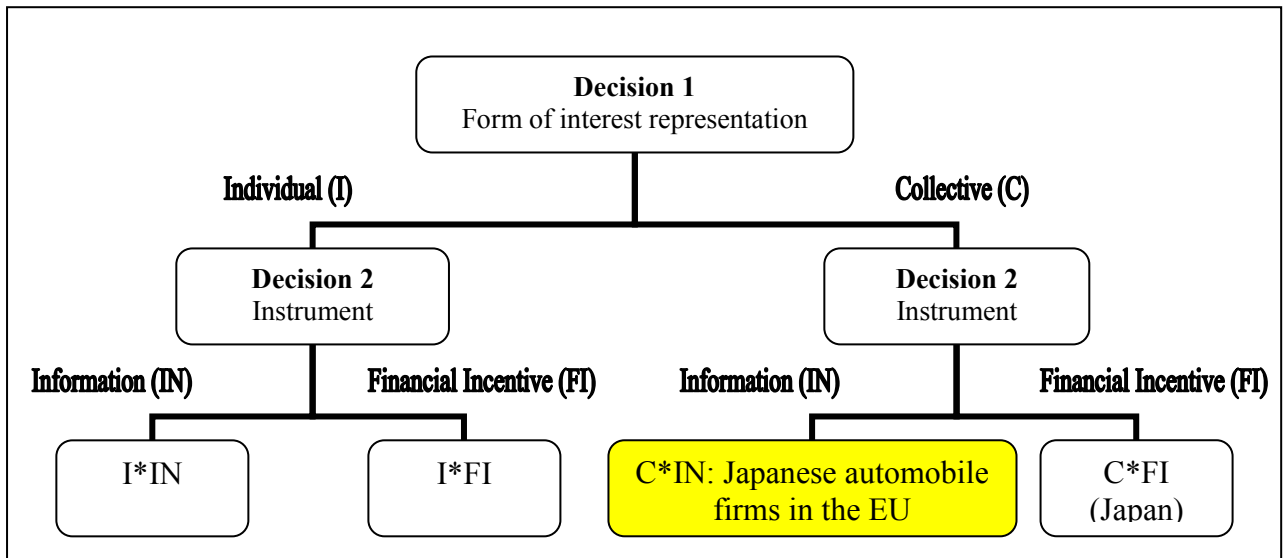
6.4 Conclusion

The ELV policymaking process provides a good case study to highlight how Japanese automobile firms tried to restructure their strategies in the post-TEU period and to what extent they managed to blend into the European automobile market in terms of lobbying. Japanese automobile firms have been producing in Europe since the 1970s and their sales now count for about 11% of European market. However, in a lobbying context, ACEA has been the dominant business interest group, and JAMA and Japanese firms are still forced to continue as separate lobbies. In this sense, the ELV policymaking process was more institutionalized with fewer stakeholders than other similar EU waste management policies such as the case of the WEEE/RoHS directives and electronics industry. Hence, this case is very interesting as one of the prime examples in which Japanese firms tried to maximize their business interests from a relatively disadvantaged position compared with their European rivals, resulting in varying lobbying strategies.

As discussed in Chapter 3 and summarized in figure 6.1, under the current elite pluralist political environment in the EU, large firms select individual lobbying (I), using information (IN) as their instrument to influence policymakers (IIN). By contrast, under

the bureaucratic and mass inclusionary pluralist political environment in Japan, firms select collective lobbying (C), using financial incentives (FI) as their instrument to influence policymakers (CFI). In the ELV policymaking process, European firms used both individual and collective forms of interest representation, depending on the issues, and practiced information lobbying. By contrast, Japanese automobile firms heavily used a collective form of interest representation and information instrument. The form of interest representation appears to be more resistant against the convergence of lobbying strategies than the instrument among Japanese firms.

Figure 6. 1 Model of lobbying strategy formulation (Japanese automobile firms in the ELV policymaking process)



The main features of the Japanese automobile firms' lobbying strategies for the ELV directive was characterized by their sensitive approach in order not to upset stakeholders while maintaining a good relationship with ACEA as well as lobbying the EU to carve out Japanese business interests. To be more precise, Japanese automobile interests for the ELV directive were largely represented by JAMA. Yet, JAMA European office was unable to make any fast response since its decision-making function remains in its Tokyo office. However, it still managed to establish itself as an important business actor within the policymaking process and its presence was well recognized by the EU

policymakers. Most Japanese automobile firms channeled their lobbying campaigns through JAMA. However, given its slow decision-making process and limited degree of influence, some Japanese firms, especially Toyota, also began to initiate direct lobbying by themselves. There appeared to be a bi-polar situation where some firms mainly focus on lobbying either individually or through non-Japanese channels while others chose a collective lobbying through JAMA. These individual lobbying campaigns are likely to increase in the future, however they have just started, and for most Japanese firms, JAMA still remains the most important political channel. In terms of lobbying instrument, JAMA used information strategy and managed to establish itself as a major policy insider within the ELV policymaking process. Japanese automobile firms did not use financial incentive strategy to access EU policymakers.

To return to our initial hypotheses, we have found mixed results. Our data suggests that EU factors did encourage Japanese firms to be more proactive and conduct lobbying in the EU. However, their form of interest representation remained collective through JAMA. Sectoral factors influenced the formation of Japanese lobbying as well. The presence of strong European rivals left Japanese firms little space to participate in the policymaking process. Thus, many Japanese firms decided to pool their resources in JAMA and collectively enhanced their voice at EU level. In addition, examination of corporate factors confirmed that only firms with significant corporate resources in the EU could conduct individual lobbying and depart from traditional Japanese lobbying pattern. In terms of the convergence of EU and Japanese lobbying patterns, the form of interest representation seemed to be more persistent than the instrument among Japanese automobile firms. In this chapter, we focused on the case of automobile firms with respect to their lobbying strategy formulation. But the lobbying formulation model needs to be tested in other cases as well. The next chapter will provide a case study of electronics firms in order to draw an interesting comparison between these different sectors.

7. Electronics firms in the post-TEU period: The WEEE and RoHS directives

The Waste Electrical and Electronic Equipment (WEEE) and Restriction of the use of certain Hazardous Substances (RoHS) in electrical and electronic equipment directives (2002/96/EC and 2002/95/EC) were developed in parallel and came into force in February 2003, needing to be transposed into national legislations by 13 August 2004. The WEEE directive aims to prevent the generation of electrical and electronic waste and to promote reuse, recycling, and other forms of recovery in order to reduce the quantity of such waste to be eliminated whilst also improving the environmental performance of economic operators involved in its treatment. The RoHS directive is designed to approximate the laws of the EU member states on restricting the use of hazardous substances in electrical and electronic equipment in order to contribute to the recovery and elimination of equipment waste and the protection of human health.⁵¹

In short, they regulate the management of waste from a wide and disparate range of electrical and electronic consumer appliances as well as professional equipment such as washing machines, TVs, radios, shavers, PCs, printers, medical equipment, vending machines, and toys. Producers are now responsible for taking back and recycling electrical and electronic equipment and consumers are able to return their equipment free of charge. In addition, the RoHS directive requires the substitution of various heavy metals (lead, mercury, cadmium, and hexavalent chromium) and brominated flame retardants (polybrominated biphenyls (PBB) or polybrominated diphenyl ethers (PBDE)) in new electrical and electronic equipment put on the market from the 1st July 2006.

There is no doubt that Japanese electronics firms in the EU, as well as other European and American manufacturers, are by far the most affected by these directives. They all actively lobbied the EU policymakers and tried to participate in the WEEE and RoHS policymaking process in many ways. Besides, the electronics industry is one of the most internationally oriented sectors of Japanese industry. Many Japanese electronics firms have become more aware of the potential impacts of EU environmental policies

⁵¹ The Commission homepage: <http://europa.eu.int/scadplus/leg/en/lvb/l21210.htm>

upon their business interests and have opened European affairs offices in Brussels since the creation of a single market. The case of the WEEE/RoHS directives is one of the few policies in which Japanese firms actively took part in the lobbying process and managed to carve out their major concerns in the directives at the end. At present, lobbying patterns of Japanese electronics firms in the EU are undergoing transformation and it is very difficult to make any statement upon the permanence of their strategies. Despite this, this chapter still provides a good illustration of the interaction between Europeanization and persistence of national characteristics in Japanese electronics firms' lobbying strategies in the EU.

This chapter firstly explains why these directives became a focal lobbying interest of Japanese firms and looks at the main policy issues in the lobbying process. Then it examines in detail how Japanese electronics firms developed the strategies and conducted their lobbying campaigns for the WEEE and RoHS directives, with special attention to the form of interest representation and the instrument. In addition, this chapter explores the impact of sectoral, EU and global factors upon the formation of Japanese electronics firms' lobbying strategies in the EU. Examination of these points clarifies and accesses the current pattern of Japanese lobbying, and draws an interesting comparison with the results in the Chapter 5 and 6.

7.1 Development of the WEEE/RoHS policymaking process

The origin of the WEEE/RoHS directives can be traced back to the early 1990s. In 1991, the EU began looking at the environmental impact of products by launching a scheme aimed at reducing waste by using market forces to encourage manufacturers to environmental friendly products.⁵² The Commission established the Priority Waste Stream Working Group which consisted of major European stakeholders from member states, national business associations, and consumer and environmental groups. It analyzed the lifetime impact of electronics products on the environment; in other words, the complete life-cycle of electrical and electronic products was examined, from the

⁵² McCormick, J. Environmental Policy in the European Union p.176

extraction of raw materials to production, distribution and disposal. The Priority Waste Stream Working Group's work over the period of 1991 to 1994 resulted in a set of key documents being drafted and adopted, in particular the information document, the analysis document and the strategy proposal document, in order to minimize resource consumption, avoid the use of hazardous substances, prolong product life, make reuse and recycling easier, and more tightly allocate responsibility and liability.⁵³ It was the latter document that was submitted to the Commission as the official paper in 1995 to guide it in its task of drafting a legislative proposal on the WEEE/RoHS issues.

At the same time, in some member states, such as Belgium, the Netherlands, Germany, Denmark and Sweden, national legislation had already been introduced on the WEEE, which obliged the manufacturers to take back the end of life products and to fund the collection and recycling facilities. Prompted by such national legislations, directives on WEEE and RoHS were developed in order to create a more harmonized EU approach to waste management and encourage sustainable development of the EU environmental policies. In June 2000, the Commission sent the European Parliament a proposal for the WEEE and RoHS directives. The proposal was examined under the co-decision procedure and, therefore, submitted to the European Parliament for its opinions at the first reading. After several consultations and amendments of the drafts, in which major business lobbies including Japanese business association and electronics firms tried the most to carve out their preferences and interests, the European Parliament and the Council adopted the proposal in December 2002. Therefore, the period from the late 1990s to 2002 is the prime concern of this chapter to examine the development of Japanese electronics firms' lobbying strategies towards the WEEE and RoHS directives.

During the early stage of policymaking process in 1998 and 1999, all business lobbies' main positions on the WEEE and RoHS directives were to keep the scope of the directives as narrow as possible, and hopefully withdraw such regulations as a whole.⁵⁴ For example, the Japan Business Council in Europe (JBCE) argued in its position paper submitted in 1999 that the directive should only cover large household appliances and exclude small equipment. In view of the fact that environmental burden of small

⁵³ McCormick, J. *Environmental Policy in the European Union* p.177

⁵⁴ Interview with the JBCE, Brussels, 16/7/03

household appliances was minimal and that the recycling experience of such products was limited, the JBCE claimed that the recycling cost would become excessive in comparison with the benefit, and the initial scope of the directive should be limited to large equipment. Similarly, it argued that a ban on substances should not be provided in the directive, and should be dealt with in other directives after the implementation of comprehensive risk assessment.⁵⁵ Both European and American firms also expressed similar negative views on the WEEE and RoHS proposals at the initial stage.

However, as a result of growing global environmental concerns and increasing trends towards more eco-friendly public policies, by the end of the 1990s, electronics firms came to realize that it was impossible to withdraw the passage of the WEEE and RoHS directives. Instead, they had to start lobbying the EU policymakers by actively participating in the policy process as business stakeholders and tried to shape the regulatory framework of these directives in their favour.

There were several major controversies about the WEEE and RoHS directive proposals among the electronics firms in the EU. Some of these concerns were shared by all major business actors while other issues were raised individually or sometimes collectively by Japanese and American business actors. In terms of common concerns in the WEEE and RoHS directives, there were four main issues which all business actors actively lobbied for.

Producer responsibility:

The first issue which the electronics industry wanted to address was to do with producer responsibility. That is to say, they supported the principle of all producers being legally liable for financing the end of life treatment and disposal costs of their own products. Besides, the electronics industry claimed that they must remain free to set up whatever types of recycling systems they so choose. As for historical wastes which were put on the market before the directives, they argued that the provision to require producers to collect and recycle historical waste was unreasonable as it would impose retroactive responsibility on producers, and in doing so undermine legal certainty. Manufacturers were nevertheless committed to design for recycling but could obviously

⁵⁵ Position Paper on WEEE and RoHS submitted by the JBCE, Environmental Committee: 30/11/99

not have taken strict requirements into account for products designed more than ten years ago. Thus, they advocated that if no other solution could be found, the obligation to finance historical waste from products with a long life such as refrigerators should not apply to the scope of the directive for the first ten years after the implementation.⁵⁶

Consumables:

The second issue was about the treatment of consumables such as paper, diskettes, CDs, magnetic tape or ink or toner cartridges, and coffee filters. Electronics firms strongly claimed that these consumables should be excluded from the scope of the WEEE directives because existing waste collection and treatment systems were better suited to deal with this waste stream. This was because consumables were in many cases manufactured by other producers than the producers of the electric or electronic appliance, and thus electronics manufacturers had no impact on how consumables were designed, and could not, if necessary, reduce the negative impact on the environment.⁵⁷

Spare parts:

The third issue concerned the spare parts of electric and electronic appliances. The electronics industry argued that spare and replacement parts containing those banned substances should be excluded from the scope of the WEEE and RoHS directives. Otherwise, spare parts with a changed design may no longer be compatible with the product in which they were originally used. In other words, consumers would not be able to purchase the right spare part if it contained one of the banned substances outlined in the RoHS directive. As a result, the whole appliance would have to be disposed of.⁵⁸ Electronics firms claimed that this would create unnecessary waste, and called for the exemption of spare parts for maintenance of finished products that were put on market before the substitution deadline.

⁵⁶ Position Papers on WEEE and RoHS submitted by the JBCE, Environmental Committee: 30/11/99, 4/12/01, 8/4/02

⁵⁷ Position Papers on WEEE and RoHS submitted by the JBCE, Environmental Committee: 4/12/01, 11/12/04, 19/3/02

⁵⁸ Position Papers on WEEE and RoHS submitted by the JBCE, Environmental Committee: 21/11/00, 4/12/01, 11/12/01

Separate collection:

The fourth concern was about separate collection of WEEE. The WEEE and RoHS directive proposals suggested that some WEEE, such as printed circuit boards, and plastic containing brominated flame retardants, should be removed from separately collected WEEE. The electronics industry claimed that selective treatment was problematic in several aspects and might be counterproductive. In other words, every trace of any of six targeted substances had to be removed from the collected waste before it could be processed further for recycling or recovery. They argued that it would require manual removal operations which would be extremely labour and time intensive, and unlikely to be fully completed. Besides, the electronics industry claimed that responsibility for collection of WEEE from private households should start from designated collection points because: i) a producer should be responsible only for costs under its control; ii) the cost of collection directly from private households was not influenced by a producer; iii) most local authorities handled household collection via a local waste tax and had the appropriate infrastructures to deal with collection.⁵⁹

Apart from these points, there were some other issues which were mainly lobbied under the initiative of Japanese firms, although some European and American firms also worked closely in some aspects as well.

OEM products:

OEM (original equipment manufacturing) products mean finished or semi-finished products put in the market under the brand of a company which does not manufacture the products by itself. Japanese firms claimed that the recycling responsibility of OEM products should belong to the brand owner, since the deliverer of these products had no knowledge about the marketing strategy of the product itself such as sales volume and sales price.⁶⁰

Application of lead:

⁵⁹ Position Papers on WEEE and RoHS submitted by the JBCE, Environmental Committee: 21/11/00, 4/12/01

⁶⁰ Position Paper on WEEE submitted by the JBCE, Environmental Committee: 30/11/99

Another sensitive issue for Japanese firms was about applications and exemption of lead in the RoHS directive. To be more precise, they argued that lead in the glass of cathode ray tubes, electronic components, fluorescent tubes, high melting temperature type solders, solders for servers, storage and storage array systems, solders for network infrastructure equipment, and electronic ceramic parts should be exempted from the scope of the RoHS directive. Many Japanese firms claimed that these exemptions were crucial for the information technology and electronics industry across the world. Despite various initiatives towards lead-free solutions, there was no lead-free technology available that would ensure the same reliability that leaded technology did. These products required more than 99.0% reliability due to the enormous human and financial consequences of equipment failures.⁶¹

Finally, the WEEE directive was agreed on 13 February 2003, along with the related directive on RoHS. The WEEE directive is based on Article 175 of the Treaty. Member states can adopt stricter measures for environmental protection, as long as these measures comply with Community law such as the principle of free movement of goods laid down in Articles 28-30 of the Treaty. Annex IA of the WEEE directive contains a list of categories of products covered, and Annex IB contains a list of products falling into these categories. Since this list is non-exhaustive, member states could in principle include other products in national legislation implementing the WEEE directive. The WEEE directive aims to minimize the impact of electrical and electronic equipment on the environment during their life times and when they become waste. It applies to a huge spectrum of products: large and small household appliances, IT and telecommunications equipment, consumer equipment, lighting equipment, electrical and electronic tools (with the exception of large-scale stationary industrial tools), toys, leisure and sports equipment, medical devices (with the exception of implanted and infected products), monitoring and control instruments, and automatic dispensers. The directive encourages and sets criteria for the collection, treatment, recycling and recovery of waste electrical and electronic

⁶¹ Position Papers on WEEE and RoHS submitted by the JBCE, Environmental Committee: 18/4/00, 19/10/00, 21/11/00, 26/2/01, 4/12/01

equipment. It makes producers responsible for financing most of these activities. Private householders are to be able to return WEEE without any charge.

The RoHS directive is based on Article 95 of the Treaty. The purpose of this directive is to approximate the laws of the member states on restrictions of the use of hazardous substances in electrical and electronics equipment, and to contribute to the environmentally sound recovery and disposal of WEEE. It bans the placing on the EU market of new electrical and electronic equipment containing more than agreed levels of lead, cadmium, mercury, hexavalent chromium, polybrominated biphenyl (PBB) and polybrominated diphenyl ether (PBDE) flame retardants from 1 July 2006. It covers the same scope as the WEEE directive, except for medical devices and monitoring and control instruments. It also applies to electronic bulbs and luminaries in households. However, there are also a number of exempted applications for these substances as stated in Annex of the RoHS directive, such as lead in glass of cathode ray tubes and mercury in straight fluorescent lamps. Under the directive, manufacturers need to ensure that their products and components comply with the agreed standards. If they do not, they need to redesign their products in order to stay on the Single Market.⁶²

7.2 Lobbying strategies of European and Japanese electronics firms

This section examines European and Japanese lobbying strategies for the WEEE/RoHS directives with reference to their form of interest representation and lobbying instrument. This allows the opportunity to compare European and Japanese lobbying strategies and clarify the embeddedness of national characteristics vis-à-vis Europeanization of Japanese electronics firms.

7.2.1 Form of interest representation

As for business stakeholders in regards to the WEEE and RoHS issues, it should be noted that European, American and Japanese electronics firms count for the great

⁶² The Commission homepage: <http://europa.eu.int/scadplus/leg/en/lvb/l21210.htm>

majority of today's European electronics market as a whole. Therefore, these firms were by far the most affected by these directives and tried to lobby the EU policymakers in many ways to win favourable amendments to proposed directives. There is no doubt that large electronics firms have become independent political actors in the EU policymaking process. In the context of Olson's logic of collective action (1965), the increased number of direct lobbying by firms is also explained by the fact that traditional business associations are unable to cover all aspects of increasing EU policies and fail to provide their members significant selective incentives. Large firms have developed political capacities to initiate either individual or collective lobbying according to the issues, and learned to utilize various forms of interest representation to suit their needs (Coen 1997, 2001, Mahoney 2007). Most European and American electronics firms now have an EU affairs office in Brussels, staffed by Europeans knowledgeable in the workings of the institutions of the EU. Therefore, in some aspects of the WEEE and RoHS policymaking process, lobbying campaigns were initiated directly with the commission or the EP, either by the firms in their own right or through ad-hoc business alliances. Pijnenburg (1998) notes that ad hoc issue coalitions are characterized by low levels of formalization and high levels of autonomy for the coalition's members. This ad-hoc alliance has become an alternative form of interest representation for large firms that seek to collectively lobby for a single legislative or regulative debate for a short to medium term, but prefer to remain independent of business associations.

In addition to the firms' individual lobbying and ad-hoc coalitions, there are several key business associations who closely interacted with each other and actively lobbied the EU policymakers in order to represent their concerns about the WEEE and RoHS directives. The main business associations concerned in this chapter are the Japan Business Council in Europe (JBCE), Japanese electronics firms, the European Information, Communications and Consumer Electronics Technology Associations (EICTA), and the American Electronics Association (AeA). EICTA was formed in 1999 as the European Information and Communications Technology Industry Association by the consolidation of the two former European federations of the information and telecommunications industries. In 2001, it merged its activities with EACEM, the European Association of Consumer Electronics Manufacturers. The new joint association

changed its name to European Information, Communications and Consumer Electronics Technology Industry Association. Today, EICTA combines 32 national digital technology associations from 24 European countries with over 50 direct company members. EICTA altogether represents more than 10,000 enterprises in Europe with more than two million employees and revenues of over €1,000 billion. In addition, it should be noted that many Japanese firms and American firms which belong to the JBCE and AeA are also active members of EICTA.

AeA, founded in 1943 in the USA, is the largest high-tech trade association in the United States, with about 2,500 companies representing all segments of the industry and 1.8 million employees. Its European office, AeA Europe, is a not-for-profit association of high tech companies of American parentage doing business worth more than € 100 billion in Europe such as IBM, Intel, HP, Lexmark, and Motorola. Established in Brussels in 1990, AeA Europe focuses on managing issues surrounding environmental and regulatory standards and the impact of EU policies on transatlantic trade, investments, jobs, research, education and community affairs throughout Europe. Members employ over 500,000 people in Europe and are active throughout the high technology spectrum, from software, semiconductors and computers to Internet technology, advanced electronics and telecommunications systems and services.⁶³ In particular, AeA worked hard to bring together an Association coalition between European, Japanese and American producers of electronics to lobby jointly on the WEEE/RoHS issues.

At EU level, it is true that there are several cross-sectoral business associations such as UNICE and Orgalime, which also have commented on the WEEE and RoHS issues. However, since these associations are not tied to the interests of one specific industrial sector or national constituency, they are only able to represent the common good and perform public interest functions. When these cross-sectoral associations do take positions, they are often a lowest common denominator point of view, which has little political impact. As a result, in a practical lobbying context, these associations were not so influential and have not directly participated in the WEEE/RoHS policymaking process compared to electronics business associations such as EICTA, AeA and the JBCE.

⁶³ AeA homepage: http://aeanet.org/AeACouncils/Europe_Main.asp

Overall, large electronics firms, as well as the JBCE, EICTA and AeA, created an interactive and strategic policy network with the EU policymakers, trying to maximize their political interests in the WEEE and RoHS directives.

Japanese practice

As discussed in Chapter 3, Japanese firms traditionally rely on national business associations for their interest representation, and there is a general lack of individual lobbying in business-government relationships (Zhao 1993, Tsujinaka 1997, Kono 2003). With a presence of strong bureaucracy, business and politics are so closely intertwined that firms simply follow the administrative guidance given by the Ministries. As for the WEEE and RoHS issues, Japanese electronics firms such as NEC, Sony, Panasonic, Canon, and Fujitsu, were all concerned with the potential impact of the directives upon their business operations from the very early stage of policymaking process. Japanese firms recognized that the WEEE and RoHS directives would have an impact upon not only their European market strategies but also upon their global ones. EU environmental policies no longer limit themselves to the EU: increasingly they are setting the global standard. Therefore, Japanese firms cannot be global players if they fail to provide products and services that meet the EU regulatory requirements. In this sense, the WEEE and RoHS directives have become the best example of how the rest of the world is following EU standards.

However, despite a growing awareness for the need in proactive lobbying in the EU, the amount of direct lobbying to the Commission and the EP initiated by individual Japanese firms was limited for the WEEE and RoHS proposals. Several interviews with the officials at the DG Environment revealed that Japanese firms tended to lobby collectively through business associations and if individual Japanese firms contacted the Commission on their own, their objectives were often just to hear the Commission's position and not to actively negotiate with it regarding the WEEE and RoHS issues.⁶⁴ Besides, several Commission officials further expressed the view that individual Japanese firms did not lobby the EU directly, compared with other European and American

⁶⁴ Interview with the Commission, Brussels, 14/10/05

firms.⁶⁵ The only exception was Sony. Regarding the separate collection of WEEE proposed in the draft directive, there were several different opinions in the industry which opposed the original proposal, and an ad-hoc transnational coalition of electronics firms was created to focus on this specific issue. JBCE as a whole supported the Commission's original proposal regarding this matter, however, its member Sony joined this ad-hoc coalition in order to seek an alternative lobbying channel to promote its own views on the separate collection of WEEE.⁶⁶ This highlights that Sony began to make a strategic use of different form of interest representation. However, this was the only case in the WEEE/RoHS policymaking process that Japanese electronics firms chose to act independently of business associations.

When Japanese electronics firms could not conduct their own lobbying campaigns, there were mainly two different lobbying channels through which they could gain access to the EU policymakers: EICTA, and the JBCE. It is important to note that EICTA, the biggest European electronics association, includes many Japanese electronics firms as well as American electronics firms. In this sense, EICTA was also a major lobbying channel for those Japanese member firms concerned with the WEEE and RoHS proposals. In this way, Japanese firms could easily blend into European electronics industry and lobby for their interests through a European business channel. Interviews with some Japanese firms suggest that membership of EICTA was an advantage in a sense that they could forward their interests as European. One Eurocrat at the DG Environment expressed that EICTA was the most influential business interest group and its views regarding the WEEE and RoHS issues were always taken seriously as a European consensus view into the Commission's policymaking process.⁶⁷ Therefore, through EICTA, Japanese firms could gain a European insider status without making Japanese identities and interests obvious in the EU.

However, EICTA is such a large business organization and often suffers from paralysis. Its tortuous internal decision-making procedures sometimes make fast responses difficult. Its decisions, when they are arrived at, do not always concern Japanese business interests and are sometimes a lowest common denominator point of

⁶⁵ Interview the DG Enterprise (Japan desk, DG Enterprise), Brussels, 16/7/03

⁶⁶ Interview with JBCE, Brussels, 6/5/04

⁶⁷ Interview with the DG Environment, Brussels, 15/10/05

view which has little relevance to Japanese firms. In addition, although many Japanese firms are included in EICTA, it is essentially driven by European business interests and Japanese firms are sometimes treated as outsiders within the organization.⁶⁸ Therefore, although some Japanese firms initially preferred to lobby through EICTA, many Japanese electronics firms became more aware of the constraints within its organization and began to mainly rely on the JBCE for more effective lobbying.

The inability of Japanese firms to conduct individual lobbying and the limited benefits of EICTA caused Japanese firms in the EU to establish smaller and more Japanese interests focused business organizations. The JBCE played the most significant role in representing Japanese business interests regarding the WEEE and RoHS directives at EU level. The JBCE is unique in two aspects compared with pre-existing Japanese business associations.

Firstly, the JBCE was originally established in 1998 by some leading electronics firms to especially deal with the WEEE and RoHS problems, and it was the first Japanese organization focusing on lobbying in the EU. It is stated that the JBCE's key objective is to contribute to EU public policy issues in a positive way, drawing upon the experience gained in Japan by utilizing the expertise developed in specific fields such as environmental protection and technological innovation. It monitors a number of proposals and policies discussed at the Commission and analyses their potential effects, benefits, financial losses, and damages upon Japanese business interests. One of the main reasons why Japanese firms decided to organize themselves under the JBCE is to save some of the financial costs of lobbying. Conducting the lobbying campaigns individually could be costly and time consuming, since each Japanese electronics firm would have had to spend a lot of money and manpower to monitor EU activities, and there were often many overlaps in their concerns.⁶⁹ In addition, at EU level, well-resourced and larger groups are more likely to be in a position to feed their views through to the Commission, the EP and other EU policymakers from the initiating stage to the taking of the final decision compared to small groups or individual firms. Thus, for many Japanese

⁶⁸ Interview with NEC, Brussels, 16/7/03

⁶⁹ Interview with the JBCE, Brussels, 16/7/03

electronics firms, establishing a Japanese business lobbying group was seen as a logical step to realize more efficient and effective lobbying in the EU. Although many Japanese firms also belong to EICTA, it was not always easy to make themselves heard in a large European organization.⁷⁰ Thus, Japanese electronics firms decided to organize themselves under the JBCE to represent their interests more directly and efficiently at EU level.

The second significant feature of the JBCE is its organizational structure and decision making mechanism. As for the WEEE and RoHS issues, the environmental committee of the JBCE, chaired by NEC, played the leading role in communicating with the EU policymakers. At that time, most Japanese firms and business organizations in the EU, such as JAMA Europe, did not have a decision-making function in Brussels and needed to be directed by their head offices in Tokyo for most important matters. This often took a long time to make a decision, and made it difficult for their European offices to take immediate actions at EU level. In contrast, the JBCE has its decision-making function in Brussels and therefore its member firms could outsource their lobbying to the JBCE for quicker actions regarding the WEEE and RoHS issues.⁷¹ That is, where Japanese firms in the EU were still closely tied to Japanese actors in Tokyo, the JBCE could entirely devote itself to lobby for Japanese electronics interests. As Japanese business interests were largely represented by the JBCE, it was inevitable that its member firms had to constantly make some consensus-based decisions to maintain the united front of the JBCE. Yet, the JBCE realized that tortuous consensus building procedures could make any fast response impossible, and therefore, it only focused on a limited number of common concerns which all member firms shared. An interview with the JBCE suggested that in order to function effectively and efficiently in the EU, the traditional Japanese consensus-based slow decision making process should be avoided as much as possible, although this was very hard to realize since many member firms were of course managed by Japanese lobbyists. The JBCE and its active members, NEC in particular, were aware of the disadvantages of the slow decision making procedure, and tried to overcome traditional Japanese mentality among its members by giving the JBCE

⁷⁰ Interviews with Panasonic and NEC, 16/7/03 and 14/10/05

⁷¹ Interview with the JBCE, Brussels, 6/5/04

strong initiatives. In order to avoid a long consensus-building process amongst member firms, the JBCE focused on the limited number of key issues which most of its member firms had concerns with. By concentrating its resources upon selected issues, the JBCE tried to increase the chance of making a difference in these areas.⁷²

Besides, since the beginning of the WEEE and RoHS lobbying process, the JBCE has been conscious to emphasize its European identity. For example, the JBCE claimed it welcomes the support provided by EU member states to Japanese investments and wishes to enhance the relationships with the EU policymakers. One JBCE official commented that “our activity in the EU to date has convinced us that we have the right idea: the notion that we are European and it is our right, as well as our duty, to contribute to the European policymaking.”⁷³ In this sense the JBCE tried to localize its political identity and was able to initiate more proactive lobbying than any other pre-existing Japanese organization.

However, although the JBCE seems to be the prime example of Europeanization of Japanese lobbying strategies, the JBCE itself is closely linked to the Japanese Ministries. Personnel links, particularly with METI, remain in the JBCE. All Secretary Generals of the JBCE to this date have been a METI official sent from Tokyo. Besides, in Brussels, these JBCE officials are supported by JETRO Brussels Office (Japan External Trade Organization) which is a government-related organization that works to promote mutual trade and investment between Japan and the rest of the world, in order to get their work permit visas issued. In this way, the JBCE plays a role to bridge the gap between the Japanese business community in Tokyo and Japanese firms in the EU. It is pointed out that the Japanese government and Ministries were no longer directly involved in Japanese lobbying in the EU, however they would always support the JBCE and maintain close links with it behind the scenes. Some Japanese lobbyists expressed that although it is important to comply with the European way of lobbying, the close links with the Japanese government, its Ministries, and the business community in Japan would remain intact under the European masks of Japanese firms in the EU.⁷⁴ Furthermore, it should be noted that there was a significant difference in the degree of awareness of the importance

⁷² Interviews with the JBCE, Brussels, 6/5/04 and 11/10/05

⁷³ Speech of Mr. Tsuruoka, the JBCE, 3/7/01

⁷⁴ Interviews with Panasonic and NEC, Brussels, 16/7/03, 14/10/05

of lobbying among member firms in the JBCE. Interviews with the JBCE suggest that especially for the WEEE and RoHS issues, the JBCE's lobbying campaigns were led by a few active members, especially NEC, while other firms observed and just followed these proactive members.⁷⁵

Overall, in terms of interest representation at EU level, Japanese electronics firms preferred lobbying through the JBCE to individual lobbying or through EICTA. Some officials at the DG Environment commented that Japanese electronics firms' interests were mainly represented by the JBCE and the JBCE's presence was well recognized within the Commission. Japanese firms were aware of the importance of proactive lobbying; however their individual activities were still sometimes constrained by the shortage of resources. Therefore, most Japanese firms preferred to rely on the collective lobbying to compensate for their lack of resources and feed their views through to the EU policymakers. There was hardly any support from *zaikai* and industrial organizations in Japan to support individual firms' lobbying for the WEEE and RoHS issues. In this sense, establishing the JBCE was necessary for Japanese firms in the EU to strengthen their presence in the policymaking process. The significance difference in their lobbying strategies from traditional Japanese lobbying patterns was that Japanese electronics firms were proactive and strategically chose to lobby collectively in order to represent their interests at EU level independently of Japanese government, Ministries, *zaikai*, and *gyokai*. Ironically, since the JBCE became very influential, individual Japanese electronics firms had little incentive to develop their own lobbying campaigns and, despite their high profiles in the EU, still essentially remained Japanese, thus failing to gain pan-European corporate identity.

7.2.2 Instrument

The interaction between business actors and the Commission is based on the exchange of information. In the WEEE/RoHS context, European and American firms, EICTA, and AeA all actively lobbied the Commission by utilizing their technical

⁷⁵ Interview with the JBCE, Brussels, 11/10/05

expertise. From the point of exchange theory (Blau 1964, Levine and White 1961, Alpin and Hegarty 1980), this is the information strategy which seeks to affect public policy by providing policymakers with specific information about policy positions and may involve providing information on the costs and benefits of different policy outcomes. The desire by large firms to participate directly in the EU policymaking process is reciprocated by the Commission's demand for quick and reliable information (Bouwen 2002, McLaughlin and Jordan 1993, Mazey and Richardson 1993). The Commission relies to a large extent on private actors to supply it with information and to help it draft legislation.

As described before, there were several major controversies about the WEEE/RoHS proposals among the electronics firms in the EU. Many of these issues were shared by all major business actors while other issues were raised individually. During the consultation period, firms and business associations all submitted position papers and utilized their technical knowledge in order to shape the directives for their favour. Producer responsibility, treatment of spare parts and consumables, and separate collection of products were their major concerns. For both European and American business lobbies, financial incentive lobbying strategy was not a common practice at all. One American lobbyist pointed out that lobbying in the USA is much more straight forward and less complicated than the EU as it is fairly easy to identify how and where political power and money flow in the US policymaking process.⁷⁶ In EU lobbying, campaign contributions are not a weapon in the lobbyist's lobbying instruments. Custom and law limit the scope for corporate donations and, in any case, the campaign costs of individual politicians are very low compared with their US counterparts. AeA commented that when lobbying in the EU, technical knowledge and a good case are more important than anything else in order to influence the EU policymakers.⁷⁷

Japanese practice

In terms of lobbying instruments, it seems that the JBCE and Japanese firms found the Commission quite welcoming and open to their comments and interests.

⁷⁶ Interview with AeA, Brussels, 12/10/05

⁷⁷ Interview with AeA, Brussels, 12/10/05

Compared with European and American firms, the Japanese were relatively new to the European market, however, they claimed that as far as they could see, there was no major difference between Japanese firms and other large firms in terms of gaining access to the Commission.⁷⁸ In Japan, the relationship between business and politics is maintained by highly personalized networks based on means such as political donation, fine dining, and *amakudari*, provided by the business community to the politicians and bureaucrats (Kubota 1997, Woronoff 1986, Yoshimatsu 2000). However, Japanese electronics firms did not try to personalize their networks with the EU policymakers by making political donations or using any financial means from the early stage of their settlement in the EU. It is also reported that although several Japanese electronics firms, such as Fujitsu and Sony, had employed several ex-Commission officials as their lobbyist in the past in order to facilitate their access to the EU policymakers, this *amakudari* was not significantly effective either within the EU policymaking process (Joos and Waldenberger 2005).

Instead, they recognized that technical information is an asset to influence the EU policymakers. In other words, the JBCE commented that as long as they provided scientifically sound information, the access to the Commission and the EP were always open to any business actors regardless of their nationalities.⁷⁹ Thus, in order to build a trusting relationship with the EU policymakers and effectively conduct their lobbying, Japanese firms as well as other firms invested a lot of their resources to obtain technical and scientific data to convince the EU policymakers to amend their policy proposals. In order to cultivate the working relationships with the EU policymakers based on technical expertise, the JBCE submitted more than 20 position papers concerning the WEEE and RoHS proposals from 1999 to 2002. In these papers, the JBCE expressed their views and made several policy recommendations regarding their main concerns listed in the previous section. The JBCE mainly targeted both the Commission and the EP through their lobbying. In addition, lobbying campaigns were initiated directly with the EP. In particular, British MEP, Glyn Ford, actively courted Japanese interests and supported many amendments proposed by the JBCE at the EP.

⁷⁸ Interviews with the JBCE, Brussels, 6/5/04 and 11/10/05

⁷⁹ Interviews with the JBCE, Brussels, 6/5/04 and 11/10/05

For example, the application of lead was one of the major concerns for Japanese business. Lead was often contained in a number of electronics appliances, and its ban would directly affect the fundamental designs of many electronics products and force the firms to re-design them. Therefore, the exemption of certain applications of lead from the RoHS directive was highly desired by many electronics firms. The JBCE argued that lead in the glass of cathode ray tubes, electronic components, fluorescent tubes, high melting temperature type solders, solders for servers, storage and storage array systems, solders for network infrastructure equipment, and electronic ceramic parts should be exempted from the scope of the RoHS directive. The JBCE claimed that these exemptions were crucial for the information technology and electronics industry across the world. Despite various initiatives towards lead-free solutions, there was no lead-free technology available that would ensure the same reliability that leaded technology gave in these products which required more than 99.0% reliability due to the enormous human and financial consequences of equipment failures. As a result, a number of applications of lead, such as lead in glass of cathode ray tubes, electronic components and fluorescent tubes, lead in solders for servers, storage and storage array systems, and lead in electronic ceramic parts, were all exempted from the RoHS directive.

For some aspects of these directives, the JBCE conducted several joint lobbying campaigns with EICTA and AeA. The issue concerning the treatment of consumables was the prime example of this joint lobbying. In 2002, these three organizations submitted two joint position papers to the EP. They strongly claimed that consumables such as paper, diskettes, CDs, magnetic tape or ink or toner cartridges, and coffee filters should be excluded from the scope of the WEEE directives because existing waste collection and treatment systems were better suited to deal with this waste stream. This was because consumables were in many cases manufactured by producers other than the actual producer of the electric or electronic appliance, and thus electronics manufacturers had no control on how consumables were designed, and could not, if necessary, reduce negative impacts on environment.

AeA commented that Japanese electronics firms learned the European way of information lobbying very quickly and played an important role in leading the European

electronics industry in some policy issues.⁸⁰ The JBCE and AeA worked very closely on the WEEE and RoHS issues. Although the JBCE was a relatively new lobbying organization in Brussels, it quickly managed to establish several networks with other stakeholders by utilizing technical expertise developed in Japan.

The success of such ad-hoc lobbying suggests that the JBCE was able to develop strategic alliances with rival firms to facilitate access to the EU policymakers. In other words, by using their technical expertise to cultivate the networks with the EU policymakers, the JBCE was accepted as a political insider within the WEEE and RoHS policymaking process on the same terms as other business stakeholders.

Therefore, it appears that Japanese electronics industry, at least superficially, managed to establish some sound networks with the EU policymakers and blend into the WEEE and RoHS policymaking process as one of the major business stakeholders.

It is widely perceived that the approaches of the JBCE and Japanese electronics firms to the EU policymakers were very polite and non-confrontational compared with European and American business lobbies. One Japanese firm commented that lobbying in the EU is often a personal issue. If the lobbyists click with the policymakers, the whole negotiation process goes rather smoothly. Thus, the Japanese polite and un-confrontational negotiation styles often led to a positive response from the EU policymakers when lobbying for the WEEE and RoHS issues.⁸¹ One Commission official pointed out that when negotiating for the WEEE and RoHS issues, Japanese firms were always very calm and presented their concerns with sound technical information in a much less emotional manner than European and American firms.⁸² They cultivated networks with the EU policymakers to participate in the policy community in pretty much the same way as European and American business actors, however, at the negotiation table, Japanese business lobbies tended to be much less aggressive than their rival actors in terms of their manner and demands.

One remarkable characteristic of Japanese firms in the EU is their eagerness to comply with most regulations and standards set by the EU. In other words, instead of

⁸⁰ Interview with AeA, Brussels, 12/10/05

⁸¹ Interviews with Fujitsu and NEC, Brussels, 17/7/03 and 14/10/05

⁸² Interview with the DG Environment, Brussels, 14/10/05

trying to change the regulatory framework of the EU to suit their business interests, Japanese firms often manage to develop their technology and solve problems internally in order to comply with the EU policies. Regarding the WEEE and RoHS issues, AeA commented that it was crucial to lobby to minimize the scope of the initial directives as once these directives were implemented, the requirements would only become higher and higher, and would set the new standard for the coming directives. In this sense, AeA pointed out that at the initial stage, many Japanese electronics firms were rather passive and did not understand the importance of proactive lobbying to change the EU regulatory framework for their long-term business operations.⁸³

Some Japanese firms admitted that since such proactive lobbying is normally absent in the Japanese business culture, they often just comply with the political authority without arguing. Japanese firms are very conscious about their corporate image and, thus, always try to comply with any rules and regulations to avoid giving any negative image to society and the policymakers. It was claimed that this trend can be also found within European and American firms; however there is a clear difference in the degree of willingness for compliance. This clearly indicates the strong embeddedness in traditional Japanese business culture within Japanese firms in the EU. They tend to avoid confrontation and comply with authority as much as they can.

Overall, the way Japanese firms cultivated networks with other stakeholders for the WEEE and RoHS directives was similar to European and American firms in the EU. There was no significant evidence for personalized networks with other stakeholders which are prevalent in Japan. Instead, they used their technical information to bargain with the EU policymakers and gained an insider status. The examination of Japanese firms' strategies to cultivate networks with other stakeholders highlights how they changed their traditional lobbying patterns and changed themselves to fit the EU policymaking process. At the same time, it is also true that due to traditional business culture, many Japanese firms still did not fully understand the importance of proactive information lobbying in order to shape the EU regulatory framework to suit their business

⁸³ Interview with AeA, Brussels, 12/10/05

needs. Therefore, they were often perceived as being rather eager to comply with the EU regulations and directives without lobbying.

7.3 Factors influencing Japanese electronics firms' lobbying strategy formulation

EU factors

As discussed in the theoretical chapter, previous studies have suggested that resource dependency matters because neither EU institutions nor interest groups can autonomously pursue and achieve their political goals (Levine and White 1961, Pfeffer and Salancik 1978). In other words, the nature of policies is the important factor to influence the access pattern of business interests. If a policy deals with technical standards or the regulation of sophisticated products such as pharmaceuticals, substantive expertise is important. On the other hand, for policies that have a high level of political salience in the member states, the Commission requires information on the preferences of relevant actors (Broscheid and Coen 2007). In a Japanese context, the more technical and complicated the policy is, the more likely Japanese firms are given access to the policymaking process since the level of resource dependency is high. Therefore, Japanese firms are likely to conduct more direct lobbying and less collective action through national associations. Similarly, if the resource dependency for information is high, Japanese firms are likely to conduct more information lobbying than financial incentive lobbying.

Turning to hypothesis 1 which concerns the relationship between the nature of policies and the firms' form of interest representation, our findings do not show the supporting evidence for it. Indeed, the WEEE/RoHS directives became a major concern for Japanese firms, and triggered the need for proactive lobbying at EU level. Yet, instead of conducting individual lobbying, Japanese electronics firms decided to set up a new lobbying organization, the JBCE. The establishment of the JBCE was partly due to the high demand for Japanese information from the EU institutions so that Japanese electronics firms could exploit policy channels more fully. In other words, the EU factors

led Japanese electronics firms to collectively represent their interests at EU level instead of individual lobbying. There are logical reasons to do so; the Commission prefers to deal with a consensus industry view, and not every electronics firm can afford to maintain its own in-house public affairs operation in Brussels.

With regard to hypothesis 2, the highly technical nature of the WEEE/RoHS directives prompted Japanese firms to use more information lobbying strategies than financial incentive strategies. Japanese business lobbyists also expressed that the power relationships between the EU institutions are not fixed and it is very difficult to tell who is in charge of certain policy issues.⁸⁴ Therefore, Japanese electronics firms did not try to personalize their networks with the EU policymakers by making political donations or any financial means from the early stage of their settlement in the EU. The JBCE and Japanese firms recognized the technical information was the most influential lobbying instrument to influence the Commission. Drafting the WEEE/RoHS directives required a wide range of technical information. Therefore, the EU policymakers were keen to gain an insight into Japanese firms' information. Some MEPs even went so far as to actively court the Japanese and encourage them to see the EP as a viable channel for realizing policy objectives (Kewley 2002).

The findings suggest that the nature of policies plays a role in the formation of lobbying strategies. Especially, in response to the potential impact of the WEEE/RoHS directives upon their business operation, Japanese firms had to be more proactive in the policymaking process. Instead of lobbying individually or collectively through EICTA, they decided to set up the JBCE. In this sense, the EU factors encouraged Japanese firms to unite and feed their views through national channels instead of prompting them to be independent political actors. Yet, it should be noted that the JBCE is different from existing Japanese business associations in a number of aspects. By establishing of the JBCE, Japanese firms collectively managed to gain a European insider status which would have been impossible if pursued individually. With regard to the lobbying instrument, the EU factors have a clear impact upon Japanese firms' decision. They did

⁸⁴ Interviews with the JBCE, Brussels, 6/5/04 and 11/10/05

not use financial incentive strategy at all and mainly relied on information strategy instead.

To compare with the results in Chapter 5, the nature of policies did affect the form of interest representation among Japanese electronics firms. The WEEE/RoHS policymaking process provided Japanese firms with opportunities to participate more directly than the EC trade policies. There was no major Japanese electronics business association in Europe during the pre-TEU period. Establishment of the JBCE was seen as a major step forward for Japanese electronics firms to actively lobby in the EU. The WEEE/RoHS directives encouraged Japanese firms to be proactive in the EU and directly conduct lobbying at EU level. However, such pressure for direct lobbying did not induce much individual lobbying among Japanese electronics firms. In addition, the technical nature of the WEEE/RoHS directives allowed Japanese electronics firms to use information strategy. For the trade policies, Japanese firms did not have much direct contact with the Commission. Therefore, they had little incentive to change their traditional lobbying pattern and used a wide range of financial incentive instruments to maintain a cooperative relationship with Japanese policymakers, especially MITI. In contrast, since the WEEE/RoHS policymaking process required much input from a wide range of business actors, Japanese firms also tried to utilize their expertise to influence the Commission.

Sectoral Factors

It is crucial to note that for Japanese firms, the European electronics sector is a rather global and open one compared with other sectors, such as the automobile sector where there is a dominant presence of European rival firms. In other words, there are only a few large European electronics firms, such as Nokia and Philips, and Japanese and American firms have occupied a large share of the European electronics market. Therefore, when drafting the WEEE and RoHS directives, the Commission could not ignore the presence of Japanese firms and appreciated their detailed technical information. This global sectoral setting allowed Japanese firms to blend into the EU policymaking process on equal terms with European and American firms. In addition to the global

nature of the European electronics market, it is often claimed that Japanese electronics products, such as those of Sony and Panasonic, often enjoy a higher brand image than European and American products. Their reputation as a high quality brand among European consumers helped to create a favourable political environment for Japanese firms although they were relatively new to the EU lobbying scene.

Our findings do not particularly support hypothesis 3. Despite the fact that Japanese electronics firms occupied a large share of European market, they still did not conduct much individual lobbying, and preferred to rely on the JBCE. Although many Japanese firms also belong to EICTA, it was not always easy to make themselves heard in a large European organization.⁸⁵ Thus, Japanese electronics firms decided to organize themselves under the JBCE to represent their interests more directly and efficiently at EU level. Japanese electronics firms, through the JBCE, established sound political credibility and managed to lobby the EU policymakers on equal terms with other rivals. The JBCE claimed that with its insider status, it was able to become more proactive and managed to carve out their interests within the directives. Ironically, since they collectively gained political credibility in the EU, most individual Japanese electronics firms chose to stick to some of their national lobbying patterns such as a strong preference for business association led lobbying campaigns. Yet, considering the fact that Japanese firms are traditionally reluctant to conduct direct lobbying, the JBCE was seen as the major step forward to become a political actor in the EU.

The other hypothesized relationship- that a sector with more product diversification will lead Japanese firms to use an information strategy instead of financial strategy- is partly supported by the data but the effect needs to be compared with the automobile case to see if the product diversification really makes a difference. As explained before, unlike automobiles, electronic products are highly diverse, from small household appliances to large equipment. Therefore, the WEEE/RoHS directives cover a wider range of technical issues than the ELV directive although they both aim to minimize the waste of products. In an ELV context, ACEA and JAMA were both concerned with similar issues. Therefore, it was difficult for Japanese automobile firms to outweigh ACEA and promote their interests. In contrast, due to the diversity of electronic

⁸⁵ Interview with NEC, Brussels, 14/10/05

products, the JBCE concentrated on a limited number of core issues so that it could spend more resources on each topic, and hence it was more likely to realize its policy objectives for each of the directives. In other words, Japanese electronics firms were able to find some niches where they enjoyed an informational monopoly over other rival firms such as the application of lead. This enabled them to establish sound networks with other stakeholders and adopt more proactive lobbying strategies.

To compare with the results in Chapter 5, the sector specific factors did not induce individual lobbying among Japanese electronics firms in both pre- and post- TEU periods. In a Japanese context, firms preferred to conduct collective lobbying even in an absence of strong European rivals. Instead of conducting individual lobbying, Japanese firms chose to establish the JBCE and collectively aimed to gain a political insider status. With regard to the instrument, Japanese electronics firms continued to use an information strategy which is also prevalent among European firms. Financial incentive strategy was not a common practice among Japanese electronics firms in both case studies.

Corporate factors

Our findings support hypothesis 5. There is a clear link between corporate resource and the form of interest representation. In other words, the significant absence of direct lobbying by individual Japanese firms was mainly due to their lack of political, financial and human resources. Many Japanese electronics firms still did not have enough resources in Brussels to conduct lobbying by themselves. In other words, there was still a critical lack in understanding of how important direct lobbying in the EU was within their headquarters in Tokyo. Most Japanese electronics firms have an EU affairs department in Brussels, which usually consists of one or two Japanese staff. Many of them have little previous experience in public relations. Generally speaking, the economic importance of the European market for many Japanese electronics firms often comes after the US and Asian markets, and this results in the situation where there are not enough human and financial resources left to support their EU offices. In addition, due to the traditional lobbying styles, where major parts of business lobbying are tightly integrated into national political structure making it very difficult to distinguish the line between public

and private interests, many Japanese electronics firms' headquarters in Tokyo still do not fully understand the concept of direct lobbying at EU level, and still rely upon the METI for its guidance and information regarding EU policies. As a result, European offices do not receive enough support from their headquarters in Tokyo, and thus have to rely on other business organizations in the EU for more efficient lobbying.⁸⁶ Moreover, collective lobbying saves excessive financial costs of lobbying for individual firms. It is widely accepted that conducting any lobbying campaigns individually at EU level can be costly and time consuming since there are often many overlaps in the lobbying interests of the electronics firms in the EU. Besides, at EU level, a well-resourced and larger interest group is inevitably likely to be in a position to feed its views through to the EU policymakers from the initiating stage to the taking of the final decision. Since many Japanese firms in the EU did not have large enough political and financial resources to represent their interests at EU level on their own, collective lobbying was seen as a logical step to realize more efficient and effective lobbying in the EU. The only exception seems to be Sony. Sony appeared to adopt a similar strategy to Toyota, by investing a lot of resources in its lobbying division to conduct more independent lobbying campaigns without relying on the JBCE or EICTA. Its lobbying team consists of roughly 10 lobbyists who are mainly European knowledgeable of the EU policymaking process. Sony's active participation in the ad-hoc transnational coalition of firms highlighted its desire to become a pan-European political actor without a Japanese label, and proved its strategic capacity to mix and match policy channels to feed its views through the EU. However, unlike Toyota, Sony did not have to become extremely Europeanized because of successful JBCE lobbying.

Turning to hypothesis 6 which concerns the impact of corporate resource upon the lobbying instrument, our data does not provide any evidence for it. Regardless of the level of resource availability, Japanese electronics firms did not try to use financial incentive strategy. Yet, although Japanese firms and the JBCE tried to conduct information lobbying, their approach was sometimes seen to be rather passive by other rival firms and the Commission. The willingness to comply with the authority still remained strongly within Japanese firms in the EU, their technological advantages may

⁸⁶ Interview with Canon, Brussels, 13/10/05

also explain why Japanese firms were relatively less aggressive to lobby the WEEE and RoHS directives at the negotiation table with the EU policymakers. For example, in the area of separate collection and recycling of the WEEE, Japan had already introduced a national law before the EU, therefore Japanese firms possessed enough technical information to deal with some aspects of the WEEE and RoHS directives. Such technological advantages may also explain the rather quiet negotiation manner of Japanese firms.

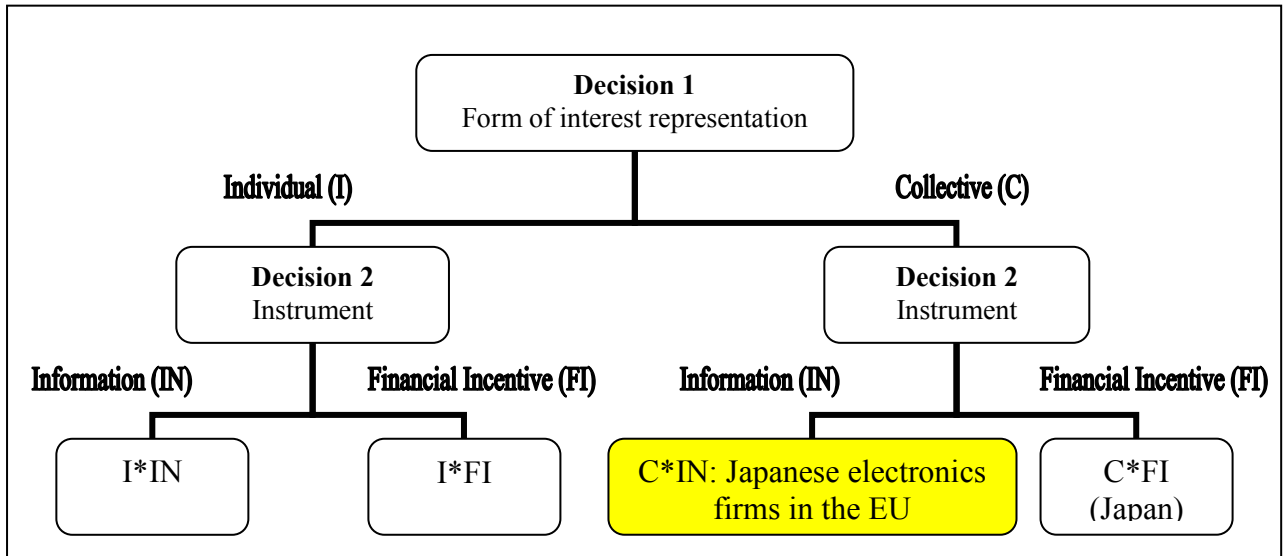
To compare with the results in Chapter 5, the WEEE/RoHS case study saw more variation in corporate resource among Japanese electronics firms in the EU. The pre-TEU period was a formative period of Japanese lobbying and there was not significant presence of Japanese firms in the EU. In the WEEE/RoHS case study, it became clear that Sony tried to develop a strategic political capacity to join an ad-hoc coalition as well as collective lobbying through the JBCE. Yet, the number of such transnational ad-hoc lobbying and individual lobbying among Japanese firms was still limited. Regardless of the level of corporate resource, Japanese electronics firms still seemed to prefer collective lobbying in the EU. In addition, such corporate factors seemed to have little impact upon Japanese firms' lobbying instrument. Regardless of the degree of corporate resource, Japanese electronics firms tried to adopt the European style of information lobbying strategy. This trend was strengthened in the post- TEU period.

7.4 Conclusion

The WEEE and RoHS policymaking process provides a good illustration of how Japanese electronics firms restructured their strategies in the post-TEU period and lobbied the EU policymakers by constructing strategic alliances with other stakeholders. It is true that the number of Japanese lobbying policy successes for the WEEE and RoHS directives was few. However, this case is still remarkable as one of the first major policy areas in which Japanese firms conducted proactive lobbying and managed to carve out their policy objectives within the directives at the end.

As discussed in Chapter 3 and summarized in figure 7.1, under the current elite pluralist political environment in the EU, large firms select individual lobbying (I), using information (IN) as their instrument to influence policymakers (IIN). By contrast, under the bureaucratic and mass inclusionary pluralist political environment in Japan, firms select collective lobbying (C), using financial incentives (FI) as their instrument to influence policymakers (CFI). Japanese electronics firms within the WEEE/RoHS policymaking process mainly used collective form of interest representation and information instrument.

Figure 7.1 Model of lobbying strategy formulation (Japanese electronics firms in the WEEE/RoHS policymaking process)



The main features of the Japanese electronics firms' lobbying strategies for the WEEE and RoHS directives were characterized by their conscious efforts to become more Europeanized, in terms of their political identities, in order to blend into the policymaking process as an insider while some elements of the traditional Japanese lobbying pattern still remained intact. To be more precise, although Japanese electronics firms in the EU were well aware of the need for proactive lobbying under current EU political environment, they often suffered from a shortage of resources to conduct their own lobbying campaigns, and had to channel their lobbying campaigns through business

organizations. EICTA was one of their lobbying channels and it was effective when Japanese firms wanted to raise their issues as European electronics industry views. However, within EICTA, Japanese firms were still outsiders and it was not always easy to make their concerns top of EICTA's agenda. Therefore, Japanese firms established the JBCE and it represented Japanese electronics interests at EU level to great extent. The JBCE was different from pre-existing Japanese business organizations. It was established especially for EU lobbying under the initiatives of several active Japanese electronics firms, and has its own decision making function in Brussels, allowing much faster responses to EU policies. In this sense, the JBCE compensated the lack of resources of individual firms and conducted proactive lobbying as an independent political actor within the WEEE and RoHS policymaking process. The JBCE established several strong networks with other stakeholders by utilizing the technical expertise provided by its member firms, and managed to develop European political credibility. However, within the policy community, Japanese firms' negotiation style was much less aggressive than other business lobbies. This is due not only to traditional Japanese business culture emphasizing the compliance with authority, but also to their strategic choice of trying to make a favourable impression on the EU policymakers.

To return to our initial hypotheses, we found some mixed results. Our data suggests that EU factors did encourage Japanese firms to be more proactive and conduct lobbying in the EU. However, their form of interest representation still mainly remained collective. Instead of conducting individual lobbying in the EU, Japanese firms established the JBCE which focused on European public image while representing Japanese electronics interests as a whole. Sectoral factors influenced the formation of Japanese lobbying as well. In an absence of strong European rivals, Japanese firms could lobby the Commission on almost equal terms as other firms by utilizing their technical expertise. In addition, examination of corporate factors confirmed that only firms with significant corporate resource in the EU could conduct individual lobbying and depart from traditional Japanese lobbying pattern. Otherwise, they preferred to conduct lobbying through the JBCE. In terms of convergence of EU and Japanese lobbying patterns, the form of interest representation seemed to be more resistant than the instrument among Japanese electronics firms.

8. Conclusion: Europeanization and persistence of national lobbying practice

The number of Japanese firms in Brussels has increased since the creation of the European Single Market. At the same time, large European firms have become independent political actors and harmonized their lobbying patterns, creating a distinctive business-government relationship in the EU. Yet, it still remains to be examined whether Japanese firms are able to utilize their political options and conform to the new EU lobbying style, which features firms' direct participation within the policymaking process. This study, based on four detailed case studies in the automobile and electronics sectors, explores the Europeanization of Japanese firms' lobbying strategies, and assesses how they have adapted to the constantly evolving EU public policymaking system. With reference to the actor-based models of interest groups and Europeanization literature, it provides an empirical investigation of interaction between traditional Japanese lobbying practices and the EU institutional environment in forming firms' preferences for particular lobbying strategies. In short, the key objective is to highlight the variation in the Europeanization of Japanese lobbying with special attention to the firms' form of interest representation and lobbying instrument. We also aim to identify the opportunities and constraints that make up the institutional logic of Japanese lobbying strategies in pursuing a more Japanese or EU type of lobbying practice.

Overall, we have demonstrated that Japanese firms have restructured their political behaviours to suit the EU policymaking process. However, the degree of such Europeanization of lobbying strategies has significantly varied across sectors and firms due to ranging influence from several institutional factors. The underlying nationality of the firm remains the vitally important determinant in the nature of its lobbying strategy formulation, and is much more persistent in the face of Europeanization than existing studies generally assume.

In this concluding chapter, we firstly review the distinguishing features of our study in relation to the existing literature in the field of EU business-government relations. Then we also summarize our findings and discuss their normative implications.

Examination of these points will allow the opportunity to identify and suggest avenues for future theoretical and empirical research.

8.1 Distinguishing Features of our study

As we have noted, many other scholars have studied the nature of business lobbying in the EU (Mazey and Richardson 1993; Greenwood 1998, 2003; Grant 2004, Cowles 2001, Coen 1997, 1998, 2003; Richardson 2000; Eising 2004). Through their analyses, we have gained significant knowledge and understanding about the ways in which large firms interact with the policymakers. It is now widely perceived that many European and American firms appear to have established a sophisticated political capacity that allows them to develop new multi-level and ad hoc political alliances to maximize their interests. The development of business interests is significant in that it challenges traditional forms of industrial collective action in Europe. The growing regulatory competencies of the EU have allowed large firms to bypass long established national lobbying channels in influencing European legislations and programmes. Therefore, the firms which succeed are those that have the flexibility to adapt to the issues and to utilize a wide variety of political channels at multiple levels. Large firms have established a strong EU presence, and a distinct EU business-government relationship that has set the standard for business lobbying across sectors in Brussels. But in what ways has our study advanced beyond what these previous studies already have accomplished?

Most importantly, in contrast to previous research, our study aims to highlight the persistence of national characteristics in firms' lobbying behaviour in the face of Europeanization. In this context, there are several works which examined the transformation of interest intermediation by comparing national traditions and studying how they were translated to EU level or how the EU led to convergence between national modes of interest representation (Coen 1998, Beyers 2002). The investigation of corporatist, pluralist and elite pluralist business-government relationships has led to the comparative study of different national and sectoral patterns of interest representation

(Greenwood 1997, Greenwood and Aspinwall 1998, Streeck and Schmitter 1991). Varying national business lobbying traditions in which firms are embedded may explain the different degree of Europeanization and the speed of change among firms in the EU. It is claimed that “in countries such as the US and UK, where there had been a long tradition of competing for government attention, adapting to the lobbying opportunities in the EU came as second nature.”(Coen 1998: 97) For example, Jordan (2002) analysed the Europeanization of British environmental policies and argued that Europeanization was an outcome of Britain’s evolving response to European integration and an important part of the broader process of bringing that about. In addition, there are some cultural and historical traditions that hindered the mobility of firms. In countries such as France, Germany and Italy, where business had an institutional lobbying arrangement with the state, it took longer to recognize that national channels were diminishing in importance. German big business, for example, became involved in European business groups rather belatedly given its strong national industry associations (Cowles 1998).

Generally, one of the broadest conclusions of these studies is that the EU politics does affect the ways in which national groups relate to their governments and organize themselves at the EU level although some national political traditions may continue to matter to some extent. Many existing studies treat large firms as a relatively homogeneous group, increasingly becoming European regardless of their nationality, and claim that, within the single European market, firms have harmonized their lobbying activity and become pan-European political actors. The consequence of increasing direct lobbying strategies among firms has been the creeping institutionalization of forum style politics and the creation of issue networks that have harmonized firms’ lobbying patterns at the EU level.

However, we argue that despite the convergence of strategies and business interests in Brussels, we can still expect some national business-government characteristics to persist in the foreseeable future. Moreover, very few studies have attempted to explore the degree to which non-EU large firms adapt to existing kinds of EU lobbying practices, except several studies on trans-Atlantic comparison (Coen 1999, 2004; Cowels 1996). Japanese firms have come to embody significant market forces in a number of sectors in the EU. There are about 900 Japanese manufacturing affiliates in the

EU including 271 in the UK, 144 in France, and 133 in Germany.⁸⁷ Although many Japanese firms have been recognized as some of the largest in industries such as electronics and automobiles, not much Japanese lobbying has been observed and few studies examine whether, and if so how, Japanese firms have re-structured their political organization and developed credibility to adjust to the EU policymaking process. Instead, many existing studies of Japanese lobbying abroad take their cases from US politics (Yamada 1982, Shinoda 1989, Choate 1990, Katzenstein and Tsujinaka 1995) and, in an EU context, many studies were done on subjects such as Japanese FDI and business management and EU-Japan trade disputes (Abe 1999, Belderbos 1995, 1997, Gilson 2000, 2001, Hughes 2001, Mason 1997). These studies do not primarily focus on Japanese firms' lobbying preferences for political channels and they do not examine the changing nature of Japanese business lobbies. Therefore, the limited relevance of previous studies to the constantly evolving EU policymaking process has necessitated a theoretical reassessment of Japanese lobbying.

In a lobbying context, Japanese firms are different from European and American rivals in many aspects. Needless to say, they have no member state to champion their concerns in the Council of Ministers, and are not used to direct lobbying, due to the traditional Japanese business-government relationship. Japanese business interests are traditionally and institutionally intertwined with the policymakers, leading to a lack of direct lobbying among firms (Zhao 1993, Ohtsu and Imanari 2002). In short, Japanese lobbying is characterized by a heavy reliance on national and sectoral organizations, financial and personalized instruments to access the policymakers, and a passive and unconstructive negotiation manner in order to both maintain harmony and feed their views at the same time. In Japan, firms are not independent political actors within the policymaking process, and prefer indirect lobbying through business associations. For Japanese firms, adjusting their lobbying strategies to the EU policymaking process is transnational in its nature as opposed to supranational for European firms. Needless to say, growing EU institutions do not affect the way in which Japanese firms relate to their national government. Thus, Japanese firms in the EU are likely to develop their lobbying strategies on the basis of their national lobbying pattern.

⁸⁷ JETRO Offices in Europe

Therefore, it still remains to be examined to what extent Japanese firms have adjusted to the EU and whether there are any patterns in the process of the Europeanization of Japanese lobbying, in which firms have had to develop a relatively new concept of direct lobbying. In recognising both the Europeanization of lobbying practices among large firms and the embeddedness of Japanese firms in their national business culture, we aim to develop a theoretical model to explore these questions further. In this sense, our most important departure from existing literature is the explicit focus on Japanese firms in the context of Europeanization and business lobbying. By doing so, we have refined our understanding of how the concept of elite pluralism, in which large firms become independent political actors in the EU policymaking process, applies to the non-European firms in the EU.

8.2 Our theory and empirical findings

We will summarize our argument and empirical findings. In order to provide a sound theoretical basis to investigate the Europeanization of Japanese firms, it is important to stress that we focus on this issue primarily at the horizontal level of EU policy formulation as opposed to the top-down or bottom-up perspectives. Japanese firms' lobbying strategy formulation in the EU policymaking process is our main focus. If Japanese firms have fully adjusted to the EU policymaking process, they should demonstrate the same preferences for the form of interest representation and instrument as European firms, as addressed by the existing theories of lobbying. We aim to explore whether the Western concept of elite pluralism could be applied to Japanese firms as non-European actors in the policymaking process. In other words, Japanese firms in the EU face two sequential decisions: whether to lobby individually or collectively (Olson 1965, Pijnenburg 1998, Oliver 1993) and whether to use information or financial incentives as their instrument (Blau 1964, Levine and White 1961, Hillman and Hitt 1999, Aplin and Hegarty 1980). We explore the mechanism of Europeanization of Japanese lobbying by focusing on these two choices that firms make in order to participate in the policymaking process. They are the dependent variables of our analysis. To be more precise, large firms

prefer direct lobbying to collective lobbying through national associations within the EU policymaking process, based on their information and technical expertise. It is claimed that many multinational firms are increasingly more 'multi' and less 'national' than in the past (Cowels 1998; Jordan 2002). However, this is not always true of Japanese firms. In Japan, business associations traditionally dominate the business lobbying scene and direct lobbying by individual firms is very rare (Argy and Stein 1996, Hartcher 1998, Imura and Schreurs 2005, McCargo 2000). Firms extensively use financial incentives to influence policymakers instead of information. This is because formal government policies and informal administrative guidance, as well as social norms effectively embedded in the structure of business networks, have encouraged firms to consider and act in national interests whenever and wherever possible (Zhao 1993; Yoshimatsu 2000; Ohtsu and Imanari 2002).

As an explanatory effort, the aim of this study is also to identify the opportunities and constraints that make up the institutional logic of Japanese lobbying strategies in the EU in pursuing a more Japanese or EU type of lobbying strategy. In recognizing that transformation of Japanese lobbying is not a uniform process and there is variation across sectors and firms, we develop a theoretical framework to study the interaction between the EU policymaking process and Japanese firms and explain the institutional conditions that shape Japanese firms' lobbying strategies with different efficacy. There are several factors that shape the incentives of Japanese firms to get in touch with EU policymakers. These factors underpinning the Europeanization of Japanese lobbying are not mutually exclusive. The normative structure of business-government relations is not fully captured if one only focuses on organizational characteristics of political institutions.

Therefore, we aim to work towards a more holistic model, recognizing that various streams of factors must be taken into consideration. Drawing on a number of resource dependency and institutional views (Pfeffer and Salancik 1978, Bouwen 2002, McCathy and Zald 1978, Cress and Snow 1988, Boddewyn 1993, Boddewyn and Brewer 1994, Hull 1993), we argue that Japanese firms' lobbying strategies are shaped by the EU, sectoral and corporate factors. To be more precise, we focus on the nature of EU policies, the presence of European rivals in a sector, product diversification, and corporate resources. They are the independent variables of our analysis that affect the likelihood of

specific political action being formulated by firms. The interaction of these variables in the EU forms the central connecting thread of this study, and has generated a set of testable hypotheses for empirical testing.

The detailed case studies of Japanese firms in the EU provide the empirical evidence for our investigation and assess the validity of our hypotheses. We chose four case studies: automobile trade policies during the late 1980s and early 1990s, electronics trade policies during the same period, the End of Life Vehicle Directive of 2000, and the Waste Electronic and Electrical Equipment (WEEE) and Restrictions of the use of certain Hazardous Substances in electrical and electronic equipment (RoHS) Directives of 2003. The firms selected for the case studies are in the automobile and electronics industries, which are the two most internationally oriented sectors of Japanese industry and were the object of significant protectionist measures in Europe in the 1980s. Both automobile and electronics firms have developed the most fully-fledged European operations of all Japanese manufacturing sectors. Therefore, they are the prime examples of firms that are subject to a transnational convergence of lobbying practices. At the same time, these two sectors show some clear differences in terms of the presence of rival European firms and product diversification. In addition, the comparison between trade and environmental policies enables us to investigate whether or not the nature of policy has affected the way Japanese firms have developed a particular mix of lobbying patterns.

Our research examines Japanese automobile and electronics firms in the EU from the late 1980s to 2003. The history of Japanese business lobbying can be divided into two stages: from the late 1980s to 1993 (pre-Treaty of European Union) and from 1994 onwards (post-TEU). The first period is largely characterized by EU-Japan trade disputes, while the second period concerns the expanding EU regulatory competencies and an increasing number of firms' direct lobbying at the EU level. Examination and comparison of these two periods allow the opportunity to provide the longitudinal analysis of Japanese lobbying. Besides, the period covered is both long and recent enough for contemporary relevance and yet it is sufficiently in the past to allow for marginally greater reflection and consideration, without falling into the trap of providing over speculative interpretations of current events. It is hoped that the argument developed will have currency for general debate on EU public policy and international business studies

in the 2000s, and also provide an empirical understanding of the Japanese firms in the EU during the chosen periods of the 1980s, 1990s, and the early 2000s.

Empirical evidence for these case studies mainly came from 30 detailed interviews with a number of stakeholders, and secondary resources such as existing documents and archival records. The interviews were conducted in Brussels and Tokyo between 2003 and 2006 with sources from European, Japanese, and American business associations, individual Japanese automobile and electronics firms, the European Commission, Japanese Ministry of Economics, Trade and Industry (METI), and other Japanese and EU governmental agencies, in English or Japanese. We managed to include three of the largest Japanese automobile firms (Toyota, Honda, and Nissan), and four Japanese electronics firms (Panasonic, Fujitsu, NEC, and Canon) which are constantly ranked high in a number of product fields such as consumer electronics and computer equipment. By incorporating a number of insights on Japanese lobbying from different actors and comparing them with each other, it is expected to provide comprehensive perspectives of the issues.

Overall, the four cases identify fixed, adaptable and creatable lobbying strategies of Japanese firms common to both sectors through two timeframes, and assess the impact of institutional determinants, at EU, sectoral, and corporate levels, upon the firms' varying degrees of embeddedness in traditional business practices and the development of European lobbying strategies.

8.2.1 Empirical results

The case studies provided a structured and focused comparison of Japanese automobile and electronics firms, in order to advance the existing explanatory framework of the Europeanization of business interests. The prime intention was to use detailed descriptive and comparative analysis to highlight how Japanese firms conduct lobbying in the EU and assess to what extent they are embedded in national lobbying patterns. The two main variables in our theoretical model are the form of interest representation and the instrument.

Individual or collective lobbying

Our analysis demonstrates that both Japanese automobile and electronics firms in the EU strongly prefer collective lobbying to individual lobbying in all case studies. In theory, large firms in the EU have bypassed the national channels and become independent political actors in the EU policymaking process. In an EU context, the Olson-style argument provides a micro-foundation for theories of elite pluralism or studies of the varying power of industry interests (Coen 1997, Jordan 1998). That is, both European and national business associations often fail to respond to the quickly changing and complex EU lobbying environment. Of course, there are still times when large firms do not want to take the lead on particular issues. For example, firms generally prefer that the industry associations speak out on European social policy matters. Sensitive issues can often be deflected to the association as opposed to the firms themselves. Yet, generally speaking, membership incentives for such traditional business associations have been reduced. As a result, firms have become more proactive and developed political capacities to utilize a wide variety of political channels either independently or collectively through ad-hoc alliances with other countervailing interests. Large firms in the EU are expected to prefer direct lobbying to traditional collective lobbying. Elite pluralism suggests that the preferred order of interest organizational form in the EU is 1) individual firms, 2) European associations, and 3) national associations. These forms of interest representation are not mutually exclusive, and successful firms are able to choose different forms depending on their strategies and issues.

However, this dynamic towards individual lobbying did not occur among Japanese automobile and electronics firms to the same degree as European firms. The increasing regulatory nature of EU policies did encourage Japanese firms to participate in the EU policymaking process more directly than in the pre-TEU period. Yet, they chose to collectively pursue their political interests at EU level through national business associations such as JAMA and the JBCE. The EU factors did not induce much individual lobbying among Japanese firms. In the automobile sector, JAMA opened their European office in 1990 and started to conduct direct lobbying at the EU level. Similarly, Japanese electronics firms established the JBCE in 1998 in order to deal with increasing

EU regulatory policies and to conduct lobbying. The shift from national lobbying channels, such as MITI and national business associations in Japan, to Brussels based business associations, shows that Japanese firms recognized the importance of direct participation in the EU policymaking process.

Besides, the limited amount of individual lobbying among Japanese automobile firms was also strengthened by the presence of predominant European rival firms and ACEA. Japanese automobile firms did not belong to ACEA, which dominated the ELV policymaking process. Therefore, they were almost reconciled to their semi-outsider position in the EU, leading to a lack of desire to develop their individual lobbying strategy. In the electronics sector, due to a strong European market share in a number of product fields, Japanese firms enjoyed more autonomy than automobile firms and were members of EICTA as well. Yet, when Japanese electronics firms realized the limited lobbying ability of the European association, they decided to collectively represent their views through the JBCE, instead of individual lobbying or ad-hoc alliances. The number of individual lobbies by Japanese electronics firms was few. Japanese firms in both sectors mainly relied on business associations for lobbying. In this sense, different sectoral settings had little impact on the form of Japanese interest representation. They chose to lobby collectively regardless of the presence of European rivals.

Corporate factors played an important role in the firms' decision with regard to their form of interest representation. One of the major reasons why Japanese firms did not conduct lobbying for the EC trade policies was lack of resources. Although they had a wide range of manufacturing facilities across Europe, they did not have any public affairs functions in the EC. Since the 1990s, many Japanese firms opened lobbying offices in Brussels, and JAMA Europe and the JBCE were also established. They were equipped with experienced staff and had enough resources to lobby the Commission on the basis of their technical expertise. Most Japanese automobile and electronics firms enjoy high profiles in the EU, but, only firms with outstanding corporate resources such as Toyota and Sony, can afford an efficient in-house lobbying department and try to conduct individual lobbying. For example, Toyota set up its EU External Affairs office in Brussels in 1997. It consists of a team of roughly twenty staff who are mostly European and include former lobbyists of ACEA and Ford. They have contacts with the

Commission at many levels and hold regular meetings with the heads of the units in the Commission every three months. The EU affairs departments of other Japanese automobile firms usually have only one or two staffs. In this sense, Toyota has a significant resource advantage, compared with the others. Therefore, Toyota tried to initiate more individual lobbying without relying on JAMA and also applied for ACEA membership. Yet, the success of such individual lobbying was still very little.

Overall, Japanese firms showed a strong preference for collective lobbying in the EU. Both JAMA and the JBCE were aware of the importance of the development of a European political identity in order to succeed in the EU. Especially, the JBCE tried to localize its political identity as European and become a political insider. In this sense, instead of individual lobbying, Japanese firms aimed to collectively participate in the EU policymaking process. However, such business associations showed some fundamental problems in order to become independent political actors in the EU. That is, JAMA often failed to respond to the EU policymakers quickly because of its decision-making process. Any decision regarding EU policies had to be decided in Tokyo and then reported back to JAMA's European office. Such tortuous internal decision making procedures reduced the efficiency of its lobbying practice. Japanese automobile firms were aware of this problem, however they were still reluctant to conduct individual lobbying. The presence of European automobile rivals added an extra hurdle for Japanese firms to become more proactive. In the electronics sector, the JBCE tried to give itself strong initiatives and avoid traditional Japanese consensus-based decision making among its member firms. Inevitably, the JBCE could only focus on a limited number of common concerns that all member firms shared, thus failing to represent a wide range of interests. Japanese electronics firms could have mobilized EICTA or conducted individual lobbying, but such practice was not common.

In the context of the logic of collective action advocated by Olson (1965), the collective action problems associated with the business associations inevitably reduced the membership incentives among firms and encouraged them to seek alternative form of interest representation. European firms have experienced similar problems with the business associations, and consequently begun to develop strategic political identities to initiate individual lobbying or form ad-hoc alliances with other actors with countervailing

interests (Coen 1997, 2001, Jordan 1998, Mahoney 2007, Pijnenburg 1998). However, despite these problems, Japanese firms in the EU still showed a strong embeddedness in collective lobbying through national business associations. Returning to our hypotheses with which we carried out the case studies, we find that there was not much variation in the form of interest representation among Japanese firms in the EU with very few exceptions. Various EU and corporate factors facilitated Japanese firms in both sectors to directly participate in the EU policymaking process without relying on MITI or other national actors. However, their strong preference for collective lobbying remained intact in the face of Europeanization. Also, turning to the organizational structure of JAMA Europe and the JBCE, Secretary Generals and some other staff were traditionally sent from MITI. These business associations were still tied closely to the national actors despite their conscious effort to gain European insider status. Both JAMA Europe and the JBCE possessed strong national characteristics such as consensus-based internal decision making procedures, personnel links with MITI and passive participation of member firms within the associations. In this sense, the legacy of the Japanese business-government relationship seemed to be the vital determinant in the firms' decisions as to whether conduct collective or individual lobbying in the EU. The adaptation to the European style of interest representation was yet to occur among Japanese firms in the EU.

Information or financial incentive lobbying

After a firm had decided to pursue lobbying individually or collectively, its next decision relates to the specific instruments it should employ. According to the exchange theories (Blau 1964, Levine and White 1961), the interaction of private and public organizations can be conceptualized as a series of inter-organizational exchanges. The organizations involved in the exchange make an implicit or explicit cost benefit analysis, on the basis of which they decide with whom to interact. The exchange relation is only likely to be durable when the exchange is reciprocal and both sides receive benefits from the exchange, which are equally distributed between the exchanging parties. Thus, the exchange theory suggests two general or generic political strategies that firms and interest groups may use to target policymakers and compete in the policymaking process based

on the fundamental resources exchanged: information and financial incentive (Hillman and Hitt 1999). In the EU, firms mainly exercise an information strategy to influence the policymakers whereas in Japan, firms mainly choose a financial incentive strategy such as financial contribution to the ruling party and *amakudari*. An information strategy is more common in the EU because custom and law limit the scope for corporate donations and other forms of financial incentive instruments.

Our analysis highlights that both Japanese automobile and electronics firms did not use financial incentive lobbying in order to access to the EU policymakers. Instead, they recognized that information and technical knowledge are more important to influence EU policies than financial incentive instruments. During the pre-TEU period, Japanese firms had little direct contact with the Commission, therefore they directed their lobbying instruments at the domestic actors. They used a wide range of financial incentive instruments to maintain a cooperative relationship with Japanese policymakers and let them negotiate with the EC at state level. Yet, the increasing regulatory nature of EU policies necessitated the Commission to open its doors to a wide range of private actors for detailed technical information. For the environmental policies, from the early stage of their lobbying campaigns Japanese firms did not try to personalize their networks with the EU policymakers by making political donations or any financial means. This is because the EU institutional setting and personnel have been constantly changing and it is very difficult to build lasting informal networks with particular EU officials. Instead, both Japanese automobile and electronics firms recognized that technical information was an asset to influence the EU policymakers. In this sense, they quickly learned the EU way of information lobbying and managed to apply such a technique into practice.

Sectoral factors such as the presence of European rivals and product diversification did not affect the decision regarding their choice of instruments. Despite the sectoral differences, both Japanese automobile and electronics firms tried to utilize their technical expertise as their main lobbying instrument. However, because of the smaller scope of the ELV directive compared to the WEEE/RoHS directives, it was difficult for Japanese automobile firms to outweigh European rivals by utilizing their technical expertise. Japanese electronics firms were able to find some areas where they enjoyed an informational monopoly over other rival firms such as the application of lead,

due to the diversity of electronics products covered under the WEEE/RoHS directives. The JBCE and Japanese electronics firms concentrated on a limited number of core issues so that they could spend more resources on each topic, and managed to realize their policy objectives in the final directives. In this context, sectoral factors influenced the outcome of Japanese lobbying strategies across the sectors. However, both the automobile and electronics firms tried to utilize an information instrument.

Corporate resources did not seem to be the defining factor for firms' decisions about lobbying instruments either. During the pre-TEU period, there was not much variation in Japanese firms' lobbying resources in Europe. Most large Japanese firms started directly investing in the EC in the 1980s. However, these EC based Japanese firms were essentially there to manage the local manufacturing plants, and not designed for active lobbying. Since the 1990s, some Japanese firms such as Toyota have gained more lobbying resources in the EU than others. Yet, our case studies show that Japanese firms quickly learned to conduct information strategies through the business associations and did not use a financial incentive instrument in the EU, regardless of the level of resource availability. There were some cases where Japanese firms used more informal instruments to gain access to the EU policymaking process. For example, JAMA and Japanese automobile firms spent a lot of resources creating favourable political conditions for themselves and improve their public image. Such efforts include organizing a big reception for other rival firms, the EU policymakers, the media and other business actors. This kind of informal networking provides a great opportunity for Japanese firms to exchange views with other stakeholders. Yet, such informal receptions and dinners were not the defining feature of Japanese firms' lobbying instruments to influence the EU policymakers.

Overall, Japanese firms did not rely on financial incentive lobbying, which was prevalent in Japan, and mainly conducted information lobbying in a similar manner to other European firms. Therefore, in terms of the lobbying instrument, Japanese firms and business associations superficially conformed to the EU pattern. However, the way Japanese firms conducted information lobbying was often different from their European rivals. Their negotiation manner was often described as passive and non-confrontational by the EU policymakers. The Commission likes to receive as many business opinions as

possible when drafting the directives. However, Japanese firms were often internally scanned by their business associations and the Commission could not benefit from the diversity of Japanese business interests that might exist. In the automobile sector, Japanese firms were criticized as lacking the principle of “give and take” and did not provide as much information as the insider information they took from the others. This indicates that Japanese automobile firms could not utilize information instruments to the full. It is also true that their non-confrontational approach to information lobbying was partly attributed to the sensitive position of Japanese automobile firms in the European market. In other words, JAMA and Japanese firms could not initiate any aggressive information lobbying in order not to frustrate ACEA in any way. They deliberately chose to be non-confrontational in their usage of information instruments. Such a sectoral setting enhanced the non-confrontational approach to information lobbying among automobile firms, but Japanese electronics firms were also rather passive compared with their European rivals, even though they occupied a large market share in a number of products. In both sectors, their technical superiority in some aspects of environmental policies explained their eagerness to comply with the regulations to some extent. Japan generally has stricter environmental standards than the EU in many aspects, therefore, Japanese firms could sometimes manage to meet the EU requirements without much technical burden.

In addition to the impact of several sectoral and corporate factors, the enduring impact of the national business-government relationship upon Japanese firms’ usage of information instruments is also evident. Proactive information lobbying is normally absent in Japanese business culture and firms often comply with the political authority without arguing. Such a trend can be also found within European and American firms, however there is a clear difference in the degree of willingness for compliance. Our case studies show that Japanese firms in the EU tended to avoid confrontation and comply to authority as much as they could. They often failed to understand the importance of proactive lobbying to change the EU regulatory framework for their long-term business operations. Japanese firms in the EU were still unable to use information lobbying to the full. This clearly indicates the strong persistence of traditional Japanese business culture within Japanese firms in the EU. At the same time, Japanese firms recognized that a

polite and non-confrontational manner sometimes leads to a positive response from the EU policymakers. They occasionally deliberately choose to conduct information lobbying in a Japanese non-confrontational way. Their decision to employ information lobbying shows that their lobbying strategy was transformed to adjust to the EU policymaking process. In this sense, the choice of lobbying instrument was more subject to Europeanization and less determined by the underlying nationality of the Japanese firms. However, it should be noted that both Japanese automobile and electronics firms still struggled to take full advantage of information lobbying strategies when turning them into practice. The ways in which Japanese firms used information instruments showed some clear differences from European firms.

8.3 Normative implications of our study

This research seeks to begin to fill the gap between literature on the EU business-government relationship and on Japanese firms' political behaviour. The evidence we present about Japanese lobbying strategies in the EU provides compelling support for the persistence of national characteristics in the age of Europeanization. In light of these results, an important question arises. If in fact Japanese firms do not yet fully conform to the EU lobbying practice in the ways we argue they do, what are the normative implications? That is, what does our study teach us about the applicability of elite pluralism to non-European firms with regard to their lobbying behaviour?

Most importantly, the evidence strongly rejects any claims that large firms' lobbying strategies in the EU are automatically harmonized and show little national difference. It is a challenge to develop theoretical ideas in the field of European interest politics, which is known for its diversity and complexity. Yet, our investigation of lobbying strategy formulation helps us understand the impact of increasing European integration upon non-European business actors in the EU. Recognizing that many large European and American firms have become independent political actors (Coen 1997, 1998; Bouwen 2002, 2004, Richardson 2000; Jordan 2002), our analysis assesses whether the Western concept of elite pluralism could be applied to Japanese firms as non-

European actors in the policymaking process. By pushing the theoretical debates in this direction, we have highlighted that the underlying nationality of the firm remains as the vitally important determinant of the nature of its lobbying strategy formulation, and is much more persistent in the face of Europeanization than existing studies generally assume.

To be more precise, there is no doubt that Japanese lobbying has undergone a substantial transformation over the years. However, the ways in which they have participated in the EU policymaking process are rather different from European firms. As pointed out in Chapter 2, research on EU business lobbying tends to treat large multinational firms as a rather homogenous group, directly participating in the policymaking process in similar manners. Many institutional factors have induced the convergence of lobbying practices and created a distinctive EU business-government relationship. The particular focus on Japanese lobbying taken in this study contributes to an understanding of EU politics in several important ways. First and foremost, Japanese lobbying in the EU is still an under-studied topic, despite a number of existing pieces of research on Japanese FDI and state level interactions. We specifically disaggregate the lobbying strategies of firms into two levels: form of interest representation and instrument. As Japanese firms have become more important individual actors in a more interdependent international economy, their political capacities, such as seeking strategic alliances and negotiating with governments and other stakeholders, must be taken into account as ever more vital determinants of public policy outcomes in a changing EU order. The EU institutional environment does not affect the logic of Japanese lobbying to the same degree as European firms. Convergence of lobbying strategies may be apparent at the level of lobbying instruments, but below the surface, where the roots of leading Japanese firms remain lodged, our research suggests durable source of resistance. The Europeanization template upon which current theoretical and policy debate rests remains debatable in the context of Japanese firms.

In a wider sense, we aim to advance the understanding of the participation of non-Western actors within the EU policymaking process. The concept of elite pluralism, which features the direct participation of firms based on the exchange of information within the EU policy making process, does not easily apply to non-European firms. In the

age of Europeanization, the underlying nationality of firms and their national business culture constitute nevertheless powerful cultural norms which define appropriateness with regard to the way firms operate in the political system. Non-European firms may occupy a large share of the market and have wide spread FDI operations, but such market force does not automatically lead to the Europeanization of their political identities and behaviour.

8.4 Directions for future research

The role of business interests in the EU policymaking process attracts a lot of academic interest. The main goal of this research has been to explain the opportunities and constraints that make up the institutional logic of Japanese lobbying in pursuing a more EU or Japanese type of lobbying practice in the age of Europeanization. Every study builds on previous work, and this one is no exception. Also, every study is incomplete, in the sense of containing gaps and identifying questions that future studies can address. In concluding this research, we propose several topics for future research.

There are several important ways in which the basic lobbying strategy formulation model presented here should be extended. Most notably, our model can be grouped as explanations for cultural differences. Culture, however, is a difficult concept to operationalize, especially since it had become something of a catch-all for observations of country-specific behaviour. A promising way of tapping into the effect of traditions or “ways of doing things” might be to explore the degree to which firms adapt to an existing kind of policy style. In this sense, Japanese firms’ lobbying strategies could be disaggregated in many different ways from our model that features two aspects: form of interest representation and instrument. By studying national traditions and identifying specific styles within and beyond Europe, such research would help to combine the central questions of the Europeanization literature with a more general research on the importance of national difference. The further theoretical elaboration and testing of the persistence of national characteristics at the level of the firm is definitely worthwhile.

In addition, there are a variety of straightforward ways in which our empirical research could be extended. Future work could focus on some other sectors in which Japanese firms also actively operate and are at the vortex of interaction between Europeanization and national characteristics, such as chemical firms. Different sectoral variables do matter and affect the business organization of firms. Thus, firms that are active in other sectors and touched in varying degrees by the globalization of competition should be considered. Similarly, other policy areas such as block exemptions and Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) could also provide interesting case studies in order to enable the comprehensive analysis of Japanese lobbying in the EU. Moreover, there is the increasing presence of other non-European firms in the EU as well. Most notably, South Korean and Chinese firms are expanding their operations in the EU in a number of sectors. In any case, each country has a unique, historically conditioned domestic structure inserted in different ways into its firms' political behaviour. Therefore, it is interesting to explore the ways in which those firms conduct lobbying in the EU, and compare them with European and Japanese firms. Future research could also explore other variables that might affect the formulation of lobbying strategies of Japanese firms in the EU. Many non-European firms have rapidly built up a presence in the EU policy networks and communities, their political actions certainly need much more study at EU level. Considerable additional empirical research of the sort we have undertaken is therefore crucial to understanding the persistence of national characteristics and the ways they should be amended. In addition, given the difference between the EU and Japanese policymaking processes, it would be valid to investigate the ways in which European firms conduct lobbying in Japan. Many European firms now have offices in Tokyo and have occupied a substantial market share in many industrial sectors and products. Whether and, if so, how European firms transform their traditional lobbying strategies to participate in the Japanese policymaking process would provide an interesting analysis for convergence of lobbying practices across different political systems. In other words, the field of EU lobbying has matured and offers itself for interesting comparisons with other political systems.

The empirical focus of this research has been on the Europeanization of Japanese lobbying. Although our theoretical model and evidence in this regard have interesting

implications for the study of EU public policy, theorizing of Japanese lobbying still needs to be advanced to keep track of the changing role of firms in the evolving EU policymaking process in the coming decade. Yet, such theorizing can only be of any real utility, for both scholars and practitioners, if it is predicated on solid and wide ranging empirical research. It is in this spirit that this research effort has been conducted as we try to understand the causes and consequences of multinational corporate behaviour.

I. Appendix

1. List of Interviews

Japanese firms:

• Canon:

- Environmental Project Manager, Canon Europe, Brussels, 13/10/05

• Fujitsu:

- Representative of European Affairs, Fujitsu Ltd., Brussels, 17/07/03
- Industry Relations Division, Tokyo, 10/02/05

• Horiba:

- Representative of European Office, Brussels, 11/10/05

• NEC:

- Director, NEC Europe Ltd., Brussels, 16/07/03
- Advisor Environmental Affair, NEC Europe Ltd., Brussels, 14/10/05

• Panasonic:

- Director, Matsushita Electric Europe, Brussels, 16/07/03

• Honda:

- Governmental Relations, Honda Motor Europe Ltd., Brussels, 12/05/06

• Nissan:

- Environmental and Safety Manager, Nissan Technical Centre Europe Ltd., Brussels, 16/11/05

• Toyota:

- Senior Manager (External Affairs and Communication), Toyota Europe, Brussels, 11/10/05

Japanese Business Associations:

- **Japan Business Council in Europe (JBCE):**

- Secretary General, Brussels, 16/07/03 and 7/06/04
- Secretary General, Brussels, 11/10/05
- Senior Manager, Brussels, 7/06/04

- **Japan Automobile Manufacturers Association (JAMA):**

- Director General, Brussels, 7/06/04
- Deputy Director General, Brussels, 12/10/05
- Technical Affairs, Brussels, 12/10/05

European and American Business Associations:

- **American Electronics Association (AeA):**

- Managing Director, AeA Europe, Brussels, 12/10/05

- **European Automobile Manufacturers Association (ACEA):**

- Director, Regulatory Affairs, Brussels, 16/11/05
- Director General, Tokyo Office, Tokyo, 2/02/05

EU Institutions:

- **European Commission (Enterprise):**

- Japan Desk Officer, Brussels, 16/07/03

- **European Commission (Environment):**

- Administrator, Brussels, 11/10/05
- Administrator (Sustainable Production and Consumption), Brussels, 14/10/05

- Administrator, Brussels, 18/11/05

- Administrator, Brussels, 14/10/05

- **European Commission (Internal Market):**

- Administrator, Brussels, 18/11/05

Japanese Ministry:

- **Ministry of Economy, Trade and Industry:**

- Director, External Trade Research, Tokyo, 2/02/05

Other Governmental Agencies:

- **Japan External Trade Relations Organization (JETRO):**

- Deputy Director General (EU Research), Brussels, 13/10/05

- Senior Coordinator, Tokyo, 3/02/05

- Strategy Coordination Officer (Europe), Tokyo, 3/02/05

- **EU-Japan Centre for Industrial Cooperation:**

- General Manager, Tokyo, 7/02/05

2. Questionnaires

Questionnaire for Japanese firms regarding EU environmental policies

Part A.

1. What were your major concerns when lobbying the ELV (WEEE/RoHS) directive?
2. How did you conduct lobbying for the ELV (WEEE/RoHS) directive? Based on your experiences, what is your overall impression of Japanese business lobbies in the following aspects? (If you have not had any dealings with the ELV (WEEE/RoHS) issues, please answer for the EU environmental policies in general)
 - Who represented Japanese business interests regarding the ELV (WEEE/RoHS) directive at EU level?
 - How did Japanese business lobbies cultivate networks with the EU policymakers? How did Japanese automobile (electronics) firms/organizations participate in the ELV (WEEE/RoHS) policymaking process?
 - How did Japanese business lobbies bargain with the EU policymakers? What was your general impression of Japanese automobile (electronics) lobbies at the negotiation table regarding ELV (WEEE/RoHS) issues?
3. How did you deal with the Japanese actors when lobbying the ELV (WEEE/RoHS) directive? (Japanese government, Ministries, business organizations, and other Japanese firms)
4. How did you deal with the European and American actors? (member states governments, European business organizations, and firms)

Part B.

5. How would you describe your political influence in the European automobile (electronics) sector since the 1990s, especially in relation to other firms? How did the power-relationship in the sector affect your lobbying strategy for the ELV (WEEE/RoHS) directive (or EU environmental policies in general)?
6. How, and to what extent, have the increasing EU regulatory competencies affected your lobbying strategy in the EU since the 1990s?
7. How would you describe your corporate culture in terms of international operations? Has your firm equipped with enough human/financial resource to conduct effective lobbying in the EU?

8. How, and in what ways, has your firm adopted a European corporate political identity, and to what extent is this recognized by the EU policymakers? Has this Europeanization improved your relationship with the EU policymakers?
9. To what extent do you think Japanese automobile (electronics) firms/organizations have blended into the EU policymaking process in general? How would you like Japanese automobile (electronics) firms to participate in the EU policymaking process?

Questionnaire for the Commission regarding EU environmental policies

1. What do you think were the major concerns of Japanese business lobbies regarding the ELV (WEEE/RoHS) directive? How did these compare to European/American business lobbies?
2. How did Japanese automobile (electronics) firms/organizations conduct lobbying for the ELV (WEEE/RoHS) directive? (Were there any differences in their practice from European/American firms/organizations?)
 - Who represented Japanese business interests regarding the ELV (WEEE/RoHS) directive at EU level? Were there any particular firms that were more proactive than others or were they all united under JAMA (the JBCE)?
 - How did Japanese business lobbies cultivate networks with the EU policymakers, such as yourself? How did Japanese automobile (electronics) firms/organizations participate in the ELV (WEEE/RoHS) policymaking process?
 - How did Japanese business lobbies bargain with the EU policymakers? What was your general impression of Japanese automobile (electronics) lobbies at the negotiation table regarding ELV (WEEE/RoHS) issues? Were they aggressive or rather cooperative/un-confrontational?
3. To what extent do you think Japanese automobile (electronics) firms/organizations have blended into the EU policymaking process? How would you like Japanese automobile (electronics) firms to participate in the EU policymaking process?

Questionnaire for the ACEA (or AeA) regarding EU environmental policies

1. What were your major concerns when lobbying the ELV (WEEE/RoHS) directive?
2. How did you conduct lobbying for the ELV (WEEE/RoHS) directive, especially in relation to Japanese business lobbies?
3. Based on your experiences, what is your overall impression of Japanese business lobbies?
 - a. Who represented Japanese interests regarding the ELV (WEEE/RoHS) directive at EU level?
 - b. How did Japanese lobbies cultivate networks with the EU policymakers?
 - c. How did Japanese lobbies bargain with the EU policymakers?
4. How would you describe your market share and political influence in the European market since the 1990s, especially in relation to other firms? How did these changes affect your lobbying strategy for the ELV (WEEE/RoHS) directive?
5. How and to what extent have the changing EU regulatory competencies and policymaking process affected your lobbying strategy in the EU since the 1990s?
6. Are there any global level policies/regulations (e.g. WTO, UN, etc) which affect your lobbying strategy in the EU? Were there any such factors when lobbying the ELV (WEEE/RoHS) directive?
7. How, and in what ways, has your firm/organization adopted a European corporate political identity, and to what extent is this recognized by the EU policymakers? Has this Europeanization improved your relationship with the EU policymakers?

Questionnaire for JETRO/EU-Japan Centre for Industrial Cooperation regarding EU policies and Japanese business interests

1. How did Japanese business lobbies typically respond to the EC trade policies?
 - Who represented Japanese business interests regarding the EC trade policies?
 - How did Japanese business lobbies cultivate networks with the EC/Japanese policymakers?
 - How did Japanese business lobbies bargain with the EC/Japanese policymakers?
2. How did Japanese business lobbies typically conduct lobbying for the EU environmental policies?

- Who represented Japanese business interests regarding the ELV (WEEE/RoHS) directive at EU level?
 - How did Japanese business lobbies cultivate networks with the EU policymakers?
 - How did Japanese business lobbies bargain with the EU policymakers?
2. How did Japanese business lobbies deal with the Japanese actors when lobbying the ELV (WEEE/RoHS) directive? (Japanese government, Ministries, business organizations, and other Japanese firms)
 3. How did Japanese business lobbies deal with the EU institutions and policymakers? (the Commission, the EP, and individual Commission officials and MEPs)
 4. How did Japanese business lobbies deal with the European and American actors? (member states governments, European business organizations, and firms)
 5. How have the power-relationships between Japanese firms and other firms in European market changed since the 1990s? How did they affect Japanese lobbying strategy for the ELV (WEEE/RoHS) directive?
 6. How and to what extent have the changing EU regulatory competencies and policymaking process affected Japanese lobbying strategy in the EU since the 1990s?
 7. Are there any global level policies/regulations (e.g. WTO, UN, etc) which affect Japanese lobbying strategy in the EU?
 8. To what extent have Japanese business lobbies blended into European corporate landscape and developed European identities?

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