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Lobbyists fear loss of British sway in EU

by Joshua Chaffin in Brussels

When the “vodka wars” broke out in Brussels eight years ago and Diageo, the UK drinks company, appeared vulnerable to new EU marketing rules, the British government rushed to rescue the maker of Smirnoff and Ketel One.

With a bit of diplomatic finesse, Downing Street managed to blunt a move by Nordic states to tighten EU labelling laws that would have prevented Diageo from marketing some of its top-selling brands as “vodka.”

So it is telling that for Alan Butler, Diageo’s Brussels lobbyist and a veteran of that conflict, one of the top priorities this year is to forge closer ties with Berlin.

“We are having to rebalance,” Mr Butler explained. “If one of your levers is distracted or weakened, then you need to focus your efforts elsewhere.”

Mr Butler is not alone. His shift is an acknowledgment of twin realities now dawning on British lobbyists and business executives across Brussels: Germany’s dominance over EU policy making is growing while the UK’s influence is being undermined by unpalatable speculation about a possible British exit from the club.

Those trends have been brought into stark relief this week by the British government’s inability to derail new legislation that would cap bankers’ bonuses, in spite of warnings by the City of London that it could pose an existential threat.

Jamie Fortescue, director of the European Starch Industry Association, put it more bluntly. “These days, if you haven’t gotten the Germans on board on any issue, you’re pretty screwed,” he said.

The UK’s influence has been clouded by its steady drift away from the continent, say British lobbyists, culminating in a pivotal speech in late January in which David Cameron, the UK prime minister, promised voters a referendum on EU membership.

Friends and foes alike acknowledge that the British have been among the most adept at pulling strings in Brussels and at engineering regulations for the benefit of companies such as Diageo. And while it is almost impossible to measure what Mr Butler called “the imperceptible, gradual ebb away of political influence and capital”, there is palpable worry among British lobbyists that the noisy political debate back home has made their jobs more difficult in Brussels – home to some 5,600 registered lobbyists and thousands more who operate off the register.

“There is a mild polling of the atmosphere,” said Peter Guilford, a founder of GPlus, one of Brussels’ most-respected lobbying firms.

The EU is a system built on give-and-take as its 27 members and competing institutions struggle to find compromises. Frequently in those negotiations, size matters, with deals often pre-cooked between the big three of Berlin, Paris and London.

But with Britain at odds with fellow club members over an increasing number of portfolios, Mr Guilford forecasted others would become less flexible about accommodating them.

“If you lose credit in the bigger picture, then it constrains your ability on the more technical details that businesses care about,” he said.

James Stevens, a Brit working in the Brussels office of Fleishman-Hillard, the public affairs consultancy, put it this way: “How much do you want to horse-trade with the UK if you don’t know they’ll even be there to give you the payback?”

Some lobbyists hope that a decline in UK sway in Brussels could lead to more – not less – work for British influence peddlers. With British companies no longer able to take for granted that the government is looking after their EU interests, they may have to hire professionals to find allies elsewhere.

Fleishman and rival APCO say they have seen an uptick in calls from North American companies – many of which use the UK as their entryway to Europe – seeking to understand the potential repercussions of Mr Cameron’s speech.

For some, the disquiet preceded the referendum announcement. British lobbyists say Mr Cameron’s decision three years ago to withdraw conservative MEPs from the European Parliament’s largest political group, the centre-right European People’s Party, was just as damaging.

Conservative MEPs enjoyed unusual clout within the EPP which, in turn, gave them disproportionate influence in the parliament, itself. The EPP is now dominated by French and German parliamentarians, who oversee many of the chamber’s most important legislative files.

Meanwhile, the breakaway group Mr Cameron formed to appease eurosceptics in his party, the European Conservatives and Reformists, is generally regarded as a fringe player.
"I confess that I'm already feeling the impact of that, and have been since it happened," said Mr Fortescue, who has been waging a campaign to roll back the EU's system of sugar quotas. The quotas benefit French and German beet sugar companies and farmers, but are tilted against starch producers seeking to sell more isoglucose. Tate & Lyle, a British sugar company that uses imported cane sugar, also wants to overhaul the system.

In a ballot in January, the parliament's agriculture committee voted to extend the quotas at least until 2020, in spite of a previous commitment from governments to dismantle them by 2015.

"In the good old days, [British MEPs] were influencing from within the major political group in the party. Now . . . they are obviously far less influential," Mr Fortescue laments. Then he adds: "There's a general feeling of frustration with the Brits in Brussels right now."