

October 18, 2013

Lobbying Bonanza as Firms Try to Influence European Union

By **ERIC LIPTON** and **DANNY HAKIM**

BRUSSELS — It was a show of force in keeping with the ambitions of American law firms that increasingly see the [European Union](#)’s vast apparatus as a vital lobbying opportunity for themselves and their multinational corporate clients.

Gathered at the Brussels office of [Covington & Burling](#), a prominent Washington-based firm, were some of its lawyers and lobbyists, along with executives from some of the world’s largest [oil](#) companies, including Chevron and Statoil. Their aim was to help shape the European Union’s policies on the gas and oil drilling technology known as hydraulic fracturing, or fracking.

They were meeting with Kurt Vandenberghe, then a top environmental official for Europe and a prime player in [the debate](#) over fracking, which is even more contentious in Europe than in the United States.

The host that day in June was [Jean De Ruyt](#), a former Belgian diplomat whose career stretched from central Africa to the inner sanctum of the European Union and who is now an adviser at Covington. He and others on the recently expanded lobbying team there have delivered at least four senior European Union policy makers to the firm’s doorstep in recent months, including a top energy official, who arrived in September with a copy of a draft fracking plan that has yet to be made public.

“It’s key to us to be ahead of when the political debate starts,” Mr. De Ruyt said in an interview later. “Because by then, we can’t have an impact.”

As the European Union has emerged as a regulatory superpower affecting 28 countries that collectively form the [world’s largest economy](#), its policies have become ever more important to corporations operating across borders. In turn, the influence business in Brussels has become ever larger and more competitive, rivaled only by Washington’s.

No group is proving more aggressive in claiming a share of that business — and provoking more criticism — than Covington and a dozen other major international law firms, some of which have imported American practices to Brussels, the seat of European Union power, while also operating with fewer constraints than in the United States.

The rules here differ in significant ways — for starters, the European system is not greased by corporate campaign contributions, which are banned or strictly limited in many member countries. But the law firms have managed to win results for clients, which include chemical

and energy companies, drug makers, Silicon Valley firms, Wall Street businesses and military contractors.

The firms are taking advantage of weak ethics rules in Brussels, including one that allows some former government officials to begin exploiting their connections the day they leave office.

A tradition in Washington, hiring insiders was relatively rare at law firms in Brussels until the American firms stepped up the recruiting of European politicians — including top officials at the European Commission, Parliament and Council, the three bodies that make up the government — with fat paychecks.

The firms are undercutting efforts to bring more transparency to lobbying in Brussels, citing lawyer-client confidentiality to evade a government-backed but voluntary disclosure effort. Covington, for example, refuses to identify its clients or whom it is lobbying, which it would have to do back home. It can keep secret the sessions with clients and regulators at its offices, which most American officials would have been prohibited from attending or at least required to disclose in the United States.

Critics, including rival lobbying firms and some European officials, accuse the law firms of operating in the shadows.

“They hide behind confidentiality,” said [Robert Mack](#), an American who is a top executive at the Brussels office of [Burson-Marsteller](#), a global lobbying and public relations firm. “It’s unfair; it’s anticompetitive,” he added. “There are people who want to do things secretly, and what they do is go to the law firms.”

[Isabelle Durant](#), a vice president of the European Parliament from Belgium who served on [the committee](#) that three years ago helped create the voluntary disclosure program, also expressed concern. “I am not against lobbying, but I am against lobbying opacity,” she said. “We have to know who works for whom and how much money they are being paid.”

Seeking to ‘Harmonize’

Hidden in the leafy confines of Parc Léopold, which once was home to a zoo and an amusement park in the center of what is modern-day Brussels, is the [Solvay Library](#), built a century ago by a Belgian industrialist.

On a brisk night in September, with American lawyers as hosts, the library’s reading room was packed with dozens of executives from corporations including Boeing, Intel and Samsung, along with senior staff members of the European Commission.

The guest of honor was James A. Baker III, the former secretary of state and Treasury and chief of staff to two presidents. He was looking so fit, at 83, that a lawyer asked him for nutrition tips. Mr. Baker had come to celebrate the first anniversary of the Brussels office of [Baker Botts](#), the Houston-based law firm co-founded by his great-grandfather.

As attendees nibbled on foie gras lollipops, dipped in a chocolate fondant, they discussed the potential business bonanza from trans-Atlantic trade negotiations that recently began between Europe and the United States. The goal of the negotiations is to “harmonize” the regulatory systems of the United States and Europe, so that companies can meet a single standard — worth hundreds of millions of dollars, if not billions, in savings for businesses, particularly if they can persuade negotiators to accept less strict rules in the process.

The deal making could also mean a huge wave of lucrative lobbying and legal work in Brussels and in Washington for firms, which charge up to \$1,000 an hour. “It ain’t going to be easy — it’s going to be tough,” Mr. Baker told the assembled crowd. “But it’s really important to get it done.”

Those kinds of opportunities help explain why American firms are attracted to Brussels, where many locate near the Rue Belliard, a European version of K Street, the lobbying corridor in Washington. Several British firms have beefed up lobbying practices, too. But there is tough competition. Akin Gump, the prominent American law firm, closed its Brussels office several years ago, with the top executive at the time calling the outpost a “drain on resources.”

Others, though, are committed. As Brussels “moves up the scale of importance to these companies, it becomes of increasing importance to any law firm like ours,” said [Raymond S. Calamaro](#), a partner at Hogan Lovells, a firm that splits its headquarters between London and Washington, who oversees its lobbying practice globally. When lawyers at Hogan Lovells are stymied by the Brussels bureaucracy, they routinely turn to [Hugo Paemen](#), a soft-spoken, impeccably dressed man who was named a baron by the Belgian king and worked as the European Union ambassador to the United States.

“I’m not looking for visibility,” Mr. Paemen said. “The important work happens on the telephone, or a lunch or coffee get-together.”

At Covington, [Wim van Velzen](#), once vice president of the European Parliament’s largest political group, the European People’s Party, serves as the go-to person for assignments that require legislative action. Mr. De Ruyt focuses on the European Council, where he once was a top official. “It’s easier for someone who has been there, who understands how things go,” he said.

Covington also recently hired [Paul Adamson](#), a former staff member at the European Parliament and a longtime Brussels lobbyist. “I’m a gun for hire,” he quipped. More conservative firms in Brussels are troubled by the notion of bringing in advisers like him and the former politicians, who are not lawyers, Mr. Adamson added. “But Covington has never been embarrassed about it.”

The results are tangible, the firms say, providing documents to back up some of their claims. Last year, Hogan Lovells helped an American semiconductor company [secure an exemption](#) in European environmental law that allowed it to continue using a potentially hazardous substance in the computer chips it makes. The firm also helped a group of American chemical

companies avoid having to retest products to meet a new chemical safety law, striking an alliance with animal rights groups that did not want animals used for the retesting.

Covington helped get an amendment to data privacy legislation that would ease restrictions on how companies are allowed to use certain personal data collected from consumers; the proposal is pending. The firm also recently successfully lobbied to weaken a proposed regulation intended to curb the ability of European pension funds to invest some of their money with [private equity](#) firms.

Covington declined to disclose the names of its clients, other than Microsoft. In marketing materials, though, the firm notes that its Brussels clients have included the Pharmaceutical Research and Manufacturers of America, and [BSA, the Software Alliance](#), a trade group whose members include Oracle, Apple and Adobe Systems. Hogan Lovells also declined to identify most of its clients, but it did say it represented Philips, the health care and consumer electronics company.

Craig Burchell, the global head of trade and market access for Philips, said Hogan Lovells's mix of legal and policy advocacy is exactly what his company demands. "Sure, we need lawyers who can handle antitrust work and trade matters," he said. "But what we really need is upstream influence on policy here."

The Value of Secrecy

[Claude Turmes](#), a member of the European Parliament from Luxembourg, refuses to meet lobbyists who have not registered in a voluntary disclosure database created in 2011 that includes names of nearly 6,000 businesses, organizations or lobbying firms that seek to influence the European government. Hundreds more are believed to have opted out, with some lobbying firms inspired by the example of the American law firms.

A ponytailed member of the Green Party, Mr. Turmes took part in failed efforts to make the registry mandatory. "Lobbying is a bit like prostitution — it will always exist, and if you try to forbid it, then you would get a black market," he said. "I'm interested in all actors' views, but we have to do this in a transparent way."

Some of the opponents of the mandatory registry included members of Parliament who work at law firms, including [Klaus-Heiner Lehne](#), a Christian Democrat from Germany who is a partner at the British-based law firm [Taylor Wessing](#) and advises clients on European regulations, while serving as chairman for Parliament's committee on legal affairs.

In Brussels, the law firms argue that Belgian bar rules prohibit them from violating the confidentiality of their clients. In a public filing to the European Commission last year, the Council of Bars and Law Societies of Europe [outlined a number of objections](#) to expanding disclosure requirements for lawyer-lobbyists, and called "professional secrecy" one of the "core values of the legal profession."

Many clients view secrecy as an asset. “Even if the matter is public, the client doesn’t want our involvement to be known,” said [Lourdes Catrain](#), a partner at Hogan Lovells. “A law firm provides very strong guarantees of confidentiality.”

Olivier Hoedeman, the research coordinator at [Corporate Europe Observatory](#), a Brussels nonprofit that studies the influence of lobbying on the European Union, said he did not even know about some of the legislative favors the law firms had delivered to their clients.

“There is no realistic way to track what they are doing if you don’t even know who their clients are,” he said. “The kind of results they are achieving, outside of public scrutiny, it is undemocratic. But for the companies involved it can be highly profitable.”

Maros Sefcovic, vice president of the European Commission and the official who oversees the government’s efforts to increase transparency, said he was considering writing a letter to the law firms that are ignoring the register, pushing them to comply.

He estimated that the 6,000 companies, lobbying firms and nonprofit groups that have joined the register — with about 30,000 lobbyists — represent 75 percent of the universe of people trying to influence the European government. And the area with the least compliance, he said, is the law firms.

“The law firms are registered in the United States, but when they come to Europe suddenly they pretend they don’t know what a lobbying register is, and what their obligations are,” Mr. Sefcovic said.

Another European Commission official wondered whether the law firm lobbyists get special treatment, given their deep network of personal contacts.

“Public authorities, by law, are obliged to offer equal treatment to every citizen,” the official said, speaking on the condition of anonymity because he was not authorized to discuss the matter. “But of course it makes a difference when you get a call, and it is a former colleague — and they want a bit of your time.”

Moving Toward Openness

Still, scandals in recent years — none involving American firms — have spurred a movement toward change that many see as inevitable. Last fall, the European Union’s top health official departed amid a corruption investigation, and a sting in 2011 by [The Sunday Times](#) of Britain ensnared three members of the European Parliament in a pay-to-play episode.

At Hogan Lovells’s Brussels outpost, 28 lawyers and lobbyists from around Europe met recently to discuss their work and opportunities to pick up new clients. There was a sense, though, that the firm’s ability to operate largely in secret may not last much longer.

“We are a long ways from the U.S. position, where it is very transparent,” [Paul Dacam](#), a Hogan Lovells partner from London, told the gathering. “The culture of the clients, right now, is not

toward openness. But I have no doubt looking ahead, there will be obligatory registration.”

With that, Mr. Paemen, the former European Union ambassador, headed out — he was appearing at an event alongside a leading member of Parliament and a top European trade official.

A similar session took place at Covington’s Brussels offices, where four lobbyists discussed plans with a partner to try to influence debates on trade negotiations, data privacy and pharmaceuticals. They mentioned fracking, too — the firm is organizing an industry group to offer government officials suggestions in drafting the rules. There have already been [preliminary moves](#) by the Parliament suggesting it will demand strict oversight of the industry, an effort the lobbyists will try to derail.

Mr. van Velzen told colleagues about planned meetings with members of the European Parliament and the European Commission, while Mr. De Ruyt shared with the team the close ties he has with the new United States ambassador to the European Union — a relationship sure to come in handy as new client matters emerge.

“There is a certain excitement of getting what you want through the system,” Mr. De Ruyt said in an interview, adding that he had learned the art of influencing decisions, instead of just making them. “I now know exactly how to do it.”