

Autolobbying in Russia and Germany

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Abstract

The article touches upon the issue of lobbying regulation in Russia and Germany and particular lobbying technologies of automotive industry actors. Two countries have features in common in terms of political system organization which influences greatly the development of lobbyism institute. Also car industry in both countries plays a leading role. The research focuses on the extent to which lobbying mechanisms are developed within a Russian and German automotive company. The objective is to provide an overview of the system of business-power relations and compare two lobbying strategies.

Key Words: *automotive industry, lobbying, revolving doors, influence peddling*

Main Body

Literature on the matter does not give a comprehensive picture that is why the author was focused on media contribution.

Today interaction between state and non-state actors is gaining in its forms which increases interest in the issues of GR and lobbyism. The latter phenomenon in turn is a topic of numerous discussions and debates. Large-scale democratization requires lobbying to become a legal way of interaction between government and business, which, however, has not yet been achieved in all countries. In the framework of this work, countries that have common features (for example, a high level of bureaucratization of all processes), but at the same time a different level of development, are considered - Germany and Russia. It is well known that states cooperate widely, especially in the automobile industry. Germany is the birthplace of cars and continues to maintain a leading position in this field, while the Russian Federation is actively developing here, adopting experience from the best. In this regard, the study involves a comparison of two approaches to lobbying of the automotive industry actors in these countries.

Car industry is an important link in the economic chain for both developed and developing countries. The industry ensures much of state budget revenues and provides jobs for a great number of people. It is necessary to study the history of its formation in Russia and Germany seeking to analyze the state of the sector today.

History of Russian auto roots in the end of 19th century when P.A. Frese and E.A. Yakovlev invented the first double crew. With developing of metallurgy, the chemical and petroleum branches, the strengthening of mechanical engineering was going faster. The government catalyzed it through state orders in the field of large-scale engineering: trains, steam locomotives and the like. But it was the production of automobiles that advanced more slowly and less efficiently. The import of engines from abroad were tens of times higher than the costs of domestic production, but Russia stuck to this course. In addition, the poor quality of roads or their absence at all prevented the country from profound development.

All of the above conditions together give an understanding of the then established trends in the formation of Russian automotive industry. Firstly, the gap between the West and Russia in the auto sector occurred due to the fact that the first car in Western Europe appeared, albeit 10 years, but earlier. Under these circumstances it did not seem reasonable not to use the available developments and spend enough lacking money. Among other things, the problem of the polarization of the development levels of the regions manifested itself in this area. Transport hubs were planned exclusively in the capital and cities; automobile enterprises were also located there.

Frese & Co. was the first company specializing in automobile manufacturing. At an automobile exhibition in Chicago, scientists were inspired by the model of K. Benz and decided to create a prototype in Russia. "Frese and Co" began to receive official orders of military vehicles, vehicles, etc.

Other founders of the domestic automotive industry were Lessner factory, Russian-Baltic Carriage Works, GAZ, PAZ, KamAZ, UAZ. However, imports still exceeded domestic production. Moreover, after the summer Berlin conference in 1945, a fourth of German cars went to Russia; so-called "Trophy" cars.

Post-war rehabilitation of the industry was going rapidly. The export of Soviet cars began. By the mid-60s it became possible to bridge the gap between the production of trucks and cars.

In 1966 it was decided to build a famous car factory in Togliatti (Volga Automobile Plant, VAZ) with the support of the Italian company FIAT. Such models of the plant as Zhiguli, Samara, Lada, Niva, Oka, LADA Kalina, LADA GRANTA, etc. are widely known. In 1971 VAZ was renamed as AvtoVAZ.

The period of 1990s marked by market reforms led the industry to a deep crisis. Many factories have reduced output, significantly reduced productivity. But

industry leaders such as AvtoVAZ and GAZ managed to stay afloat and even launched the production of new models.

New millennium started with a large-scale production of foreign cars in Russia (Skoda, Volkswagen, Ford, BMW, Toyota, Renault, Chevrolet). Russian companies started drawing contracts with foreign firms.

Around the 2010s stimulation of domestic production began, facing numerous obstacles to its effective functioning such as the spread of plants across the country, a lack of necessary capacities, and an overly open market for imports. After Russia's entry into the WTO some problems also appeared, for example, a reduction in import duties on used cars (from 35 to 25%), which could reduce the attractiveness of the market. The free trade zone agreement within the CIS had consequences for foreign companies that settled in the Russian market. Since manufacturers from individual CIS countries base assembly on their territory, foreign companies in Russia risked to lose part of the profit when eliminating customs duties on imports from these countries. Washington's sanctions against the Russian Federation aroused, firstly, doubts among other countries cooperating with the United States; secondly, a significant decline in the Russian car market.

However, according to World Development Indicators, the following indicators are noted in the Russian automotive industry: export rates have been increased in relation to import growth and the contribution of industry to the country's GDP also increased, while mechanical engineering significantly reduced indicators against the background of total production within the Russian Federation.

The most challenging factor today is the impact of coronavirus infection. It concerns both the supply chains, the supply of automotive components and the production process as a whole, and, of course, the demand for the products of car factories. It is also obvious that the effect of the virus will vary depending on the particular company and its activities.

According to estimates, already in April the supply of components, the production of which is carried out in China, at Russian automobile plants was supposed to end. Moreover, the fall of the ruble will entail a further rise in price of cars. In this regard, Russian manufacturers began an active search for a replacement for Chinese parts.

On April 28, 2020, TASS hosted an online conference on the influence of the pandemic on the state of the Russian automobile industry. Conference participants agreed on two key points. 1) Government support will be critical to rebuilding the

industry. 2) “Warming” should not be expected earlier than June. It remains to be seen. (Prokofieva, 2011)

Germany for its part is traditionally considered to be the birthplace of the car. The world famous company Benz & Cie was founded in 1883. Before, in the late 1880s K. Benz put the internal combustion engine he invented on a three-wheeled trolley, which became the prototype of the first car. A few years later, the inventor launched a four-wheeled car. The first model designed for mass production was the Velo. The activity developed rapidly and with significant success.

Simultaneously Gottlieb Daimler conducted active development of engines and wagons, as a result of which Daimler-Motoren-Gesellschaft appeared. This is how the history of Mercedes cars began.

In 1909, another major German automobile company, Audi, was founded

In 1916, the no less famous company BMW was founded that at first specialized in air engines. But after a while the company bought a car factory. In the mid-1930s BMW was the largest conglomerate of plants and enterprises united under its leadership.

Since the 1880s another significant company Opel has been functioning. It first applied the assembly line method in production and also for the first time hired women. During the war the company's key production points were bombed but reconstruction was carried out in a short time.

The First World War led to a huge crisis, while the Ford Motor Company was entering the inner market. In order to avoid the consequences of structural adjustment the companies of Benz and Daimler decided to unite their firms.

In 1931, F. Porsche, already experienced in the automotive industry, created Dr. Ing. h.c. F. Porsche GmbH. The designer who worked on the projects of Volkswagen models took their technology as the basis.

Volkswagen appeared only in 1937, later than all of the aforementioned. Her pre-war activities were accompanied by personal support of A. Hitler including financial. During the war the company became famous for amphibious vehicles intended for patency in hard-to-reach areas.

During World War II the company's manufacturing centers were hit hard. Rehabilitation was money- and time-consuming. The specialization was quite wide: from cars to racing cars. The geography of the company expanded, and production started being exported to many foreign countries (Austria, Hungary,

Finland, Mexico, Russia, etc.). Also the scientific potential of manufacturers proved itself as never before.

Today Germany enjoys the status of the leader in the world automotive industry. Despite the crisis of 2008-2009 and all sorts of unrest in the Eurozone Germany comes top in this market. Accordingly, the German auto industry is the main industry supporting the economy also for Germany itself. German cars attract both the western and eastern investors. In 2018 the automotive industry in Germany showed a total revenue of € 426 billion from car sales. The main consumers are still USA, India, Brazil, the Eurozone, China and Russia. Cooperation with Russia in turn began in the era of the USSR. Today German and Russian manufacturers create joint clusters.

With regard to innovation and R&D, in Stuttgart at the 2019 Handelsblatt Auto-Gipfel conference, BMW, Daimler, Opel and Porsche spoke about hybrid and electric cars. An expert from the Association of the German Automotive Industry (VDA) pays three to five years to ensure that all premium products of large automotive corporations are equipped with hybrid or electric motors.

There is a very stable and steady growth in both imports and exports with a slight margin in favor of the latter.

The coronavirus pandemic had a great impact on the state of the automotive world, with Germany being its center. Firstly, due to COVID-19, international car shows were canceled. They announced their refusal to host the Beijing Motor Show in April, where world car industry leaders, including Mercedes-Benz, Volkswagen, Audi, BMW and Ford, present their new products. The Geneva Motor Show was canceled for the first time in 90 years. The organizers of the motor show in New York scheduled for April 8 decided to postpone the exhibition to August, but now even this period is questioned. The shortage of spare parts due to the closure of factories in China hit hard on the production of cars in Germany. For example, Volkswagen has already closed the production of its Seat and Lamborghini brands in Spain and Italy. The owner of Mercedes Benz Daimler and Audi Volkswagen have announced nearly 20,000 job cuts over the past few months. (Khachaturian, 2016)

However, there are good forecasts too. Sales of new cars can grow in the long run as public transport failures during the crisis can encourage more people to buy their own cars.

Interaction between the state and the business in Russia began with the advent of a market economy in the country. The Russian economy became involved in

global processes. Entrepreneurs were obliged to stick to a model of responsible business activity. The development of such relations after the 'grey zone' is called "stabilization". Politics and business were strictly separated, and businessmen found other ways to express their political position such as political parties, the media, at forums and meetings, and platform the like. Thus, lobbying is a technological part of GR serving the system of relations between government and business. GR departments appeared at enterprises. The staff includes specialists with experience in various fields: professional lobbyists, former deputies and officials.

The first attempt to legitimize lobbying in Russia was made in Irkutsk in 1992, then in Krasnodar. The idea shifted to the next level when the draft law "On the regulation of lobbying activities in federal government bodies" was introduced to the State Duma. However, the negative connotation of the term lobbying has become a stumbling block on the way of its adoption. According to paragraph 3.1 of the draft federal law 'lobbying means the interaction of legal entities and individuals with federal government bodies and their representatives with the aim of influencing the development and adoption by these bodies of legislative acts, administrative, political and other decisions in their interests or in interests of specific clients'.

It is noticeable that the position of the lobbyist in the company is interpreted differently than is accepted in international scientific circles. A lobbyist is believed to be hired for a specific case and, accordingly, receives a one-time fee. In this federal law, on the contrary, the lobbyist is represented as a regular worker.

Today it is hardly possible to ignore the existence of lobbying in Russia. Moreover, the term appears in official documents of a company. But the notion still has a pejorative sense. Also, the term "lobbying" still does not appear directly in the laws of the Russian Federation, but there are some laws vicariously influencing this sphere.

With regard to Russian lobbying, it is to single out the leading role of company leaders, which is explained by their increased responsibility, as well as by the lack of qualified GR managers. Each month 'Nezavisimaya Gazeta' publishes a list of the country's best lobbyists, where primarily the leaders of the companies are among the leaders.

Big corporations have stable ties with legislators. Officials are often former employees of the company who have changed their occupation and vice-versa, which means 'revolving doors mechanism' works well. 'Influence peddling' is also

common among lobbyists. The point is that companies invite influential people for work. These people are good at networking.

One of the most frequently cited example is 2016 when AvtoVAZ nominated a candidate from the company for election to the State Duma. V. Derzhak was an employee of the plant for about 30 years. Company President Nicolas Mor frankly commented on this event in the media as a beneficial circumstance for doing business of the corporation.

Representatives of KamAZ, AvtoVAZ, SeverStalAvto and Ruspromavto in 2002 wrote a collective letter to the Minister of Industry about the development of the Russian automotive industry. The newspaper 'Vedomosti' stated the key requirements as follows: to stop production of right-hand drive cars, to give companies tax loans, to lower import duties on equipment. At that time such ideas were regarded as quite reasonable, but it is clear that in this case, companies should have committed themselves not to keep up with quality. Since the implementation of this was in great doubt, the authorities negatively responded to the letter.

The information about targeted financing of AvtoVAZ by decision of the President to pay the company's debts is also accessible. The community laments the authorities' support of the "dying swan".

In 2019 automakers spoke out in favor of banning the sell of automotive vehicles that have reached the limit of their functioning (including suggestions of restrictions in a specific temporal expression). The initiative was promoted through the State Duma Committee on Economic Policy, but the Ministry of Industry and Trade did not let it in its purest form in. The environmentally friendly and safe decision was to impose restrictions on the use of trucks and children's buses.

The relations between corporations and bodies in Germany started developing under the significant influence of socio-economic circumstances that emerged after the Second World War. On the one hand, the world-famous German bureaucracy does not allow the actions of any actors without a previously created regulatory roadmap, and in this area it is quite difficult to build a procedural framework. On the other hand, the discussion about the need to form an official base implying control of lobbyists still has not led to a general consensus, since it is believed that the political culture in Germany itself implies the possibility of expressing interests by various groups. However, here the question comes: does lobbying end with a simple expression of interests? Every pressure group is a group of interests, but not every group of interests is a pressure group.

In Germany lobbying is based on the Grundgesetz, where the right of citizens to form associations and individually or jointly to submit requests and complaints to the authorities is established.

The Bundestag Regulation contains an annually refreshed Open List of registered associations and their representatives engaged in lobbying activities. But legal and regional organizations are not included in this register. This means that some influential associations may not formally be listed as lobbying.

Thus, German law does not have strict regulation of lobbying and does not force organizations to register on the aforementioned list. But at the same time lobbying itself is not prohibited.

In order to avoid fraud, all gifts received by officials from any organizations or individuals for any reason are transferred to the Bundestag, where they are handed to charity after conversion to a cash equivalent.

Meanwhile, parties enjoy unlimited donations, which is a powerful mechanism for promoting interests by some pressure groups.

There is also a consultation mechanism within the framework of committees and commissions established under federal authorities, where participants can openly discuss various law drafts, which means that lobbyists have a chance to advance their interests.

The attitude of the population towards lobbyists is still vague. For example, these experts are still called ‘Strippenzieher’ – puppet manipulator playing before authorities. However, the number of professional lobbyists is growing, and qualifications are increasing. More than 5,000 agencies work in the capital alone.

Moreover, there is an independent organization ‘LobbyControl’ in Germany, which analyzes the processes taking place in the country.

Interest groups represented by automobile companies, working collaboratively with lawmakers, send their experts there. Also lobbyists arrange various meetings, round tables and other events, inviting key decision makers.

The existence of lobbying in Germany is evidenced by particularly striking events that have been noticed even by the international community. For example, the sensational “Diesel scandal” that began in 2015 with Volkswagen. It, and later its branches, were accused of deliberately hiding the real amount of harmful emissions. But the authorities hushed up the matter. It became clear that politics and the automotive industry are closely intertwined.

This also includes the Berlin autolobby that at one time promoted the idea that the Gelendvagen should be regarded as a compact eco-friendly car, having personally compiled the corresponding prescription paper. Political elites adopted the document and approved the proposed standard.

In 1990s the head of the German Automotive Industry Association (VDA) was a colleague in the cabinet of Chancellor Angela Merkel and is still considered her close confidant. His letter, entitled “Dear Angel,” when it came to the automotive lobby’s request to eliminate low CO2 emission limits, was widely discussed in the summer of 2013. Under pressure of the automotive lobby, Merkel then prevented an already agreed European compromise to reduce climate-friendly emissions.

In general, Germany’s approach to lobbying can still be described as only partially oriented toward political representatives. It is planned to continue to build lobbyists into political processes. There are also professionals working for government orders or for foreign markets. There is a systematic connection with marketing and rebranding aimed at constant maintenance of the company’s image.

Conclusion

Throughout the history of automotive industry companies have already resorted to lobbying methods that are quite legal and conscientious, precisely: they pleased the preferences of the government; increased the competitiveness of the company, proving the need for the required funds or measures; became the pillar of the country's economy in difficult times; arranged exhibitions to attract attention and gain trust; individual factories were engaged in charitable assistance (they built kindergartens and schools, which can be called the prototype of a profitable CSR).

Germany had initially a different political environment, which left its mark on the difference in the freedom of action of companies. Even if permission was not required the firms competed for patronage. The main methods were also quite transparent: stand out with something qualitatively new; accept women into the enterprise; to cooperate and combine strengths. Paradoxically, wartime gave companies a chance to prove themselves (powerful high-tech vehicles, amphibious vehicles, etc.). This influenced the post-war division of companies between the winning countries. The car market monopolists were beneficial to the capitalist authorities for economic recovery during the period of divided Germany. Rhine capitalism emphasized the dependence of the authorities on business since the latter took upon itself part of social policy, and also had close ties with banks, which were actually the central link in the German economy.

It can be claimed that the formation of lobbying models was strongly influenced by the time gap in capitalist development. But at the same time understanding about the ways to achieve the necessary goals is similar in both countries.

As a result of this study there found following similarities in the lobbying models of the automotive industry in the Russian Federation and the Federal Republic of Germany: lack of targeted legislation, functioning democratic mechanisms (round tables, consultations, letters), the transition of employees and politics to business and communications. But the main common characteristic for the two countries is the privileged position of the industry in the country's economy, which makes lobbying easier for these companies.

Among the differences it is important to note the “warming” of the public towards lobbying in Germany, the activity of civil society, open gift giving and donations. Therefore, it is suggested that capitalism and all the attendant phenomena in Russia have not yet fully taken root, and that business is expected to display “high morality” against the backdrop of strong competition.

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