Doing Business in Europe

Third Edition
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Chapter Outlines

Chapter 1: Introduction: The New European Business Environment

Through industrialization and the evolution of trade across frontiers over centuries, nations came to expand their knowledge of different economic systems and to adopt the arguments in favour of greater economic integration across borders (e.g. thinking on freer trade). Especially influential were insights of Adam Smith that trade based on absolute advantage is mutually beneficial and the later extension by David Ricardo to show that this is true even for countries with no absolute advantages. These insights lead to the demise of more protectionist understandings of cross border economic exchange, as associated with Mercantilism. Contrasting with Mercantilism's focus on ensuring countries export more than they import to ensure a positive balance of payments. As mercantilism was closely associated with the repetitive conflicts in Europe between 1600 and 1800 and the need for financing.

The arguments in favour of trade as mutually beneficial also laid the foundation for later arguments about economic integration in pursuit of peace. This association between cross border economic integration and conflict between nations has been central to the efforts to realize 'keeping peace among nations' and harmonious trade for economic growth and welfare through the European integration project. Today this worldview has culminated in the EU, as well as other forms of market integration and trade and investment opportunity across the continent.

Because the Single European Market represents the largest marketplace in Europe, this book focuses on the EU whilst also referring to non-EU member states as appropriate; especially the EFTA and CEFTA states are taken into consideration.

The EU represents a singular achievement in Europe and in the world. The EU is an organization of sovereign states, not a confederation that represents the most advanced economic integration project worldwide. The member states have created a single market that links collaboration and competitiveness with certain social ideas. It is the driver and the stimulus of Europe, representing the largest economy, the largest trading partner, and the largest donor of development assistance in the world. The EU also has a strong value driven agenda that seeks to ensure citizen welfare. It is also a strong leader on issues such as climate change and human rights. Regionally these concerns for example express themselves in issues such as employment, economic stability and supporting research and development.

Given the inter-state nature of the EU project, the EU has sought to develop an identity through shared values and symbols, so that the diversity of the member countries and their citizens is a source of strength and opportunity. The EU regularly studies the attitudes of its citizens. Amongst the values that are found, it is noteworthy that EU citizens seem to appreciate specific identity and traditionalism. It is found that the majority of EU citizens feel to some extend 'European', while they preserve a strong feeling of adherence to particular roots and culture.

The many symbols connected to Europe and the EU often have their origins in the history of the region. The name Europe comes from Greek mythology, where Europa was the daughter of a Phoenician king. Zeus, attracted to her, transformed himself into a white bull and kidnapped her to the island of Crete, of which Europa became the first queen. An important symbol of the EU and of Europe's unity and identity is the European flag. It symbolizes, traditionally, perfection, completeness and unity. The number of stars is not dependent on the number of member states and the flag is the only emblem of the European Commission. Other important symbols are the European Anthem, composed by Ludwig Van Beethoven, Europe Day on 9 May, and the euro, the single currency of the EU which was launched on 1 January 1999 and introduced to the public in 2002.

(a) There are important terms and concepts that will be used throughout the text. Among them are: the concept of globalization as the compression of time and space that increases the frequency and duration of linkages between any given set of actors in the international environment. Europeanization, which on the one hand implies the European integration of economies and the development of common policies of EU member states and, on the other hand, an advanced form of organizations that reflect the diversity of markets, of cultures, and (b) the diversity within the company as well as in the scope of their operations. Other key terms are: international business, defined as transactions across borders; multinational enterprise (MNE), describing a corporation that has an international market scope; and transnational company (TNC), defining a firm that coordinates and controls operations across borders, without necessarily owning them. In the European business environment, as they constitute the majority of business structures, small- and medium-sized enterprises (SMEs), also play a very particular role.

While the EU is a regional economic and nascent political, integration project, it is also important to understand it within a global context. The EU member states through the EU gain a stronger voice in international arenas and this allows European states and businesses to more confidently and effectively address the increasing complexity and growing velocity of global markets and politics. The degree to which this represents an increasingly Europeanized business perspective is one of the key debates when thinking about how MNEs and domestic and internationally active SMEs do business in Europe and abroad.

The competitiveness of business depends on innovation, efficient knowledge management and entrepreneurship. Hence, the various forms of market integration that characterise the European marketplace provide many advantages to companies in the form of European cost bases, taxation levels, availability of skilled, trained labour, effective linkages between research/academia and the corporate sector to promote internationalization opportunities for products and services across Europe and beyond.

Chapter 2: Landmarks of European Integration: How History and Politics Shape the Business Environment

To understand the European market, its diversities and characteristics, the historical development of European integration provides significant insight, and explains some facets of the European business environment that are rather unique. In particular, this marketplace is deeply 'integrated' because of its history: The formulation of a plan to work together among European states originates mainly from the period from 1870 to 1945, when Germany and France had fought each other three times. The only hope for lasting peace and prosperity for their economies was to strive for some form of European unity, on an economic and, if possible, political, social and cultural level, driving peace through economic stability.

A number of leaders, in particular Konrad Adenauer (the first post-war chancellor of the new Federal Republic of Germany) and Charles de Gaulle (the first post-war President of the liberated France), were deeply involved the starting process of uniting Europe. This long-term process of integration spans the European Communities' treaties up to the formulation of a European Constitution and further. It started with the PanEuropa movement in 1923, which aimed at uniting European countries, but which was hindered by its contemporary political and economic tensions. Then, in the post-1945 period, two phenomena emerged: the desire to combat nationalism, and the new power position in Europe, predominated by US–Soviet tensions of the Cold War, forcing business into diverging economic, political and sociocultural systems.

In the international business environment, pre-war and wartime experiences led to the creation of several multilateral organizations that were to have a strong impact on international business, international laws and regulations. The Bretton Woods Conferences in 1944 established a system of fixed exchange rates and two new bodies, the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (World Bank), to facilitate international trade. In 1947, the GATT (General Agreement on Tariffs and Trade), predecessor of the World Trade Organization (WTO) was signed. One year later, in 1948, the General Assembly of the United Nations ratified the Universal Declaration of Human Rights to establish rules governing cross-border relations.

European integration was hence initiated within the context of this broader multilateral collaboration, creating unprecedented cooperation between France and the Federal Republic of Germany, also referred to as the 'Franco-German engine'. The European Recovery Plan, also known as the Marshall Plan, launched an economic cooperation and a customs union on a small scale. Following the belief that economic stability drives political and geopolitical stability, the relations between European states were mainly improved in regard to their economic and political quality within areas of low politics (directly applicable policy areas) and high politics (security, autonomy and sovereignty-focused areas).

The starting point of European integration is symbolized by the 'Schuman Declaration', a proposal for a united Europe by Robert Schuman, French Foreign Minister, on 9 May 1950, a date that is still celebrated as the annual Europe Day. Many other treaties followed the Schuman Declaration. Among the most important ones are the Treaty of Paris in 1951, the Treaties of Rome in 1957, the

Single European Act in 1987, the Maastricht Treaty in 1993, the Amsterdam Treaty in 1997, the Nice Treaty in 2001 and the Constitution of the EU. These have all built on and developed the supranationalism initiated in the 'Schuman Declaration', which continues to govern most of the European market conditions today. 'Supranationalism' stands for projects or governance transcending national boundaries or governmental authority. It requires member states to transfer or delegate some sovereignty, i.e., national independent decision-making power and authority, to a central joint authority.

Each of the subsequent treaties has made important contribution to the EU integration project, broadly the notable contributions for each is summarised here. The Treaty of Paris implemented the creation of the European Coal and Steel Community (ECSC) and laid the basis for the four main European institutions: the Council of Ministers, a Common Assembly (later the European Parliament), the Court of Justice and a High Authority. The ECSC ceased to exist in 2002. The Treaties of Rome created the European Atomic Energy Community (EAEC/EURATOM) and the European Economic Community (EEC). The EEC Treaty set the framework for the institutions governing the communities and its policy framework. It also stipulated the creation of a common market and the removal of trade barriers and launched the Common Agricultural Policy (CAP). The Single European Act (SEA) in 1986 was adopted to progressively enforce an internal market by December 1992. It established a single market of goods, capital and services and the guarantee of free circulation of European citizens inside the community. This act also extended the scope of qualified majority voting (QMV) at the Council of Ministers and increased the Commission's powers. Then, in 1993, the Maastricht Treaty changed the official name of the EEC to the EU. It assigned the EU with a broad range of objectives, based on a set of guiding principles like the respect for democracy and human rights.

With the aim of complementing the Maastricht treaty, the Amsterdam treaty was signed in 1997, increasing transparency to the citizens and creating an enhanced cooperation procedure. The Treaty of Nice in 2001 consisted mainly of measures preparing for enlargement of the EU from 15 to 25 members, for example reweighting the voting system of the Council of Ministers. Then, in October 2004 a new Constitutional Treaty for Europe was signed in Rome, its objectives encompassing simplification, democracy, transparency, effectiveness and legitimacy for the EU.

By creating a frontier-free single market and a single currency, the EU has given a significant boost to trade and employment in Europe. Its agenda strives for sustainable growth, social inclusion and competitiveness. Each treaty that was signed, made the European business environment more efficient and more accessible as an entity. There is clear evidence of the impact of the treaty develop on European business activity.

The Treaty of Paris was associated with a direct impact on the coal and steel industry and is associated with an increase of trade by 129% in the first five years. The treaty also had clear market stabilization and competitive effects. The Treaty of Rome affected the cross-border logistic of European firms, promoting economic decision making, by harmonizing external tariffs. The treaty also prohibited monopolies and included a series of sectorial specific policies, most importantly creating a free market and increasing market stability for agricultural products, with the establishment of the Common Agricultural Policy. The Single European Act (SEA) followed a series of focused institutional developments, including the creation and implementation of the

Schengen Agreement that strengthen the internal free movement of persons in the EU. The SEA with the goal to create a single for goods, capital and services, and citizens within the Community, was the first major revision of the founding treaties of the EU. The SEA had unprecedented Effects of the Europeanization of the European business. This included elimination of internal technical barriers to integration, harmonization of safety and pollution control, certification systems, recognition of qualifications, intellectual and industrial property rights and the establishment of European company law.

The Treaty on European Union (TEU) allowed the EU to reach the highest level of international integration, refining economic cooperation, promoting political and social convergence and addressed the conduct of monetary coordination and joint monetary actions. This had further significant effects on the ability of firms to realize European strategies. The Treaty of Amsterdam subsequently enhanced the multilateral promotion labour and employment opportunities, consumer protection, agribusiness and sustainable development, 'responsible business' and the protection of the environment, changing business realities in the market, of adaptation and compliance pressures and for some, of market leadership through technological innovation. The foremost benefit of the Treaty of Nice was that it showed the dedication of member state governments to prepare for a bigger and better functioning European business environment. Finally, the Treaty of Lisbon allows for greater subsidiary powers for civil society, which increases the possibilities for citizens' and corporate interest articulation and corporate political activity. The Treaty's explicit aim was to create a business-friendly environment, to lead to wealth creation (including employment), a more secure business environment and better functioning Single Market.

As the complexity of the global economic and political environment increased at the start of the 21st century, the EU was challenged by the first voluntary exit of a member state, when the UK narrowly voted to leave: the so-called BREXIT. Arguably, no single event has provided more clear evidence about the tremendous impact the EU has had on Europeanizing European business in the last six decades. BREXIT is however only one of a number of contemporary challenges to face the EU. Prior to it, the Global Financial Crisis (GFC) had hit Europe hard, and a Euro-zone crisis challenged the EU members' cohesion. Europe also faced one of the largest waves of migration to the region, becoming home to more refugees than ever before, mainly from parts of the Middle East and Africa. Nonetheless, this is also the period when a Banking Union was formed, a Fiscal Stability Treaty was ratified, and a "New Trade Strategy" launched. It also marks a time of active engagement with digitalization and an increasingly knowledge driven European internal market. This was followed by the development of a "*White Paper on the Future of Europe*", proposing five scenarios for the future.

Chapter 3: Enlargement and the Theories of Integration

The depth and breadth of European integration today is considered unique, when viewed from a global perspective, and is an ongoing process. The open and democratic nature of the European market predestines its future as a growth structure. The most integrated form of market grouping in Europe is the EU, in which many trade and investment conditions that business is interested in are at least partly harmonised or convergent. Other national markets as well as other market groupings also show worthwhile features for trade and investment, entrepreneurship and market entry. While the treaties establishing the EU and its common policies have deepened the integration of members, the market is also undergoing regular geographical enlargement that increases its geographic breadth. This is driven by the EU's relatively predictable marketplace and political-economic stability. Enlargement, that is, adding in more member states, hence regularly increases the number of countries in the EU. The countries that join become subject to the deep integration required by membership of the EU, and hence have obligations as well as rights and advantages, and give up a certain degree of sovereignty if their candidacy succeeds.

Every round of enlargement can be seen as a further step towards a more integrated Europe taking into account the ideal of establishing an integrated European market that is centred on values of citizen rights and welfare, at the same time that it is driven by the challenges of competitiveness vis-à-vis North America and Asia Pacific. Together with those two regions, Europe has long constituted the 'triad', i.e. the three major investment and trade regions in the world economy. With the North American Free Trade Area (NAFTA) and the EU as the most institutionalized trade blocks across the three regions. The Association of South East Asian Nations (ASEAN) now represents the most significant institutionalized integration project within the Asia Pacific. Latin America has increasingly aligned with North America in economic dynamics and prospects for the future. Also, Africa is increasingly using the powers of FTAs (chapter 10) to integrate as a region and into the global economy.

Before BREXIT, 22 countries had joined the original six founding countries of European integration (Germany, France, Italy, Belgium, Luxembourg and the Netherlands) to progressively and continuously *deepen* and *widen* business opportunities. The most extensive enlargement took place in 2004 with former Soviet ruled countries for the first time joining the community. This enlargement of ten countries joining the EU at once required an unprecedented scale of adjustments from both the candidate countries and the EU internally. It prepared the ground for the subsequent joining of Bulgaria, Romania and Croatia. Today the next and ongoing enlargement is expected to integrate the countries of the Western Balkans, growing the number of member countries despite the decision of the United Kingdom to withdraw from the EU. BREXIT represents a unique event, as the only time any, let alone a large, EU member state has voluntarily decided to withdraw from the EU. BREXIT has also highlighted the EFTA states relationships with the EU, given the discussion of their integration with the EU as options for the UK post BREXIT.

The integration of the EU has evolved through incremental stages. The willingness of member states to pursue this path is explained by different theories of integration. Four main schools of thought are reflected in European integration theory: Functionalism, Neo-Functionalism, Federalism and Liberal Intergovernmentalism. Functionalism holds that at best, states cooperate in specific areas only, that deeper political integration is not desirable and each state should seek to retain a high level of sovereignty. Neo-Functionalism, similarly to Functionalism, holds that harmonization and cooperation appear when functional or political needs spill over frontiers and into economic issues. Neo-Functionalism, however, recognizes the essential role of socio-political cooperation in the integration process. Federalism provides the basis for the main treaties governing European integration and is guided by the belief that a constitutional framework shall govern extensive relations between member states whilst they remain sovereign. Finally, Liberal Intergovernmentalism emphasises interstate bargaining and institutional compliance in explaining

European integration. Liberal Intergovernmentalism is state centric, assumes of rational state behaviour and assumes bargaining takes place in light of state preferences.

Integration theories are the very basis for understanding the interests and beliefs of member states, their people and democratically elected governments. They form the way in which advancing and shaping European integration is decided by the member states. All member states meet and debate to discuss and agree on how the integration process should proceed in various EU constellations and also constitute the members of all EU institutions. In this, each member state is subject to its own nuanced system, political culture and heritage, and its citizens' will (through the democratic elections of their national governments and the European Parliament) express their particular beliefs and priorities for the EU project. This accounts for the different perspectives of member states on sharing sovereignty with supranational (EU) institutions and explains why the EU has become a mixed system in terms of the structural separation of authority. Not everyone agrees with everything, yet working together is deemed better than alone. The integration theories hence help us understand the ups and downs of European harmonization, in particular its patchwork nature. For companies, this explains why the Single Market is not that 'single' and harmonized after all, and firms often call for even more and better market integration. The next chapters will illustrate and analyse what market-related aspects are 'single' and which ones are not, and how to manage this unique business context especially on with a multi-country strategy in mind.

Since 1957, the EU underwent six major waves of enlargement. Every enlargement was based on the requirement that candidate states need to fully accept and apply the 'acquis communautaire', i.e. the full body of laws and regulations governing the EU. This way, all EU member states are then on equal footing with one another. These common rules harmonize access to countries, establish the foundations of the system that allow harmonization between the member states to become effective and beneficial, and hence provide market opportunities, even if each country retains most of its specific conditions and competitive advantages unique to it through its own particular geographic, historic, resource-, skills- or knowledge-related conditions. The rational is to allow member states to reciprocally gain access to each other's advantages, becoming collectively stronger by not staying isolated. However, this is not always easy: The accession of Romania, the focus on the accession of the Western Balkan countries by 2025, the longstanding challenges to Turkish accession, the withdrawal of Iceland from the accession process and now BREXIT attest to the challenges of enlargement.

For business, the main advantage of enlargement of market groupings lies in the opening of markets and the reduction of transaction costs if already trading or investing in those markets. The Enterprise Europe Network supports SMEs to adapt to threats and opportunities from enlargement and Europeanization, to find partners, and provide information about prevalent legislation. Enlargement can provide firms with very different opportunities and challenges. Romania for example has struggled with reforms both before and after accession and continues to present firms with a challenging operating environment in terms of corruption, organized crime and judicial reform.

Similarly, the ongoing accession processes for the Western Balkan countries (Albania, Bosnia and Herzegovina, Croatia, the Former Yugoslav Republic of Macedonia, Serbia and Montenegro) and

Turkey present firms in existing member countries with yet uncertain prospects. The Western Balkan countries represent a very interesting future market, with over 76 per cent of the Balkan's total trade comes from the EU. Turkish relations are based on a customs union that was established in 1995 and is expected to remain the main mode of integration with the EU for the foreseeable future. Turkey also presents firms from existing member countries with a very attractive market and location for manufacturing.

Iceland, while representing a relatively small market within the context of existing member economies, while it still pursued access, promised very attractive opportunities for business. Already a member of the EFTA, Iceland is a wealth country with stable political institutions, including those supporting economic activity. Iceland offered especially interesting opportunities in fisheries, which has been a contentious policy area in relations with the EU. Similarly, BREXIT is revealing the degree of cross-border integration of European business and posing some potentially quite significant operational and market access risks to firms in the rest of the EU.

Enlargement thus creates new and reshapes existing business opportunities by increasing market size for firms, expanding coverage and depth of harmonization of member countries' economic activities. This contributes not only to increasing the potential number of networks, business partners and customers available to firms, but also leads to reductions in transaction costs associated with doing business across borders when for example the same testing procedure or product standard or labelling applies in across the borders. Central to these effects is the implementation of common regulations for the free movement of goods, services, capital and people. This enlarges business opportunities and facilitating exchanges. They create new opportunities and prolong life cycles. Business and trade creation opportunities are diverse.

The new business operations in new locations also induce new risks and uncertainties, new obligations and costs. Nevertheless, on business level further enlargement is considered profitable because costs are typically compensated by the increase in business opportunities and new potential benefits that balance the saturation of certain sectors in the existing EU economies. At the same time, consumer choice and welfare due to enlarged and more transparent consumption options across borders is seen as advantageous to the economy as a whole.

Early access to enlargement country markets is often an essential strategy for European companies to stay competitive. This includes the careful assessment of operational risks and threats, choosing the fitting cross-border location, and the most suitable mode of market entry in the internalization process.

It was observed that within typically a decade of joining the EU, increasing regional integration results in the proximity of European demand structures of accession countries. The gap between labour costs, public aid structures and the ongoing harmonization of norms and standards reduce the main differences between 'older' and 'younger' accession countries. The successful integration of countries has offered increased business opportunities for European and international firms and has in most cases helped boost growth in formerly weak economies. However, it also increased competition and challenges to corporate performance and strategy.

Chapter 4: Institutional Players: How the Rules and Agendas of the European Business Environment Are Set

Most of the European business environment is shaped by the EU member states and their joint interactions, when engaging very regularly in rules and decision-making on EU level. This chapter explains how that works, and analyses what to expect and what this decision-making structure means for the current and future business environment. Understanding this, means being able to better structure cross-border strategy, relationships and to assess and forecast business opportunity.

This chapter therefore focuses on the six main institutions of the EU to better understand how they shape the European business environment, how they are relevant to business interests and provide opportunities for business to influence their decision-making. The six focal institutions are the European Commission, the European Parliament, the Council of the European Union, the European Council, the European Court of Justice, and the Court of the Auditors. There are also a number of other institutions and inter-institutional bodies with specialized roles. These include amongst others, the European Central Bank (ECB; responsible for European monetary policy), the European External Action Service (EEAS; responsible for supporting the High Representative of the Union for Foreign Affairs and Security Policy), the European Committee of the Regions (CoR; represents regional and local authorities) and the European Investment Bank (EIB; finances EU investment projects and helps small and medium-sized enterprises).

The institutions have undergone many adaptations over six decades, as the EU member states have shaped them to better respond to changing demands and external conditions. These changes have over time moved from dealing with specific political and economic challenges to also include changes seeking to improve the effectiveness and efficiency of the institutional decision-making process, as more and more member states, and hence, opinions and interests need to be accommodated in the institutional decision-making processes of the EU. This has led to the institutions, each with their own unique role, to play an essential function in policy formation, in the executive and in the legislative sphere, shaping the harmonization of member states policies and the European business environment as a whole. Importantly, not each opportunity to harmonise the market may be picked up and agreed upon!

The EU institutions through their decision-making can have very significant impact on the operating environment of European business. Firms operating in Europe are hence subject to EU, as well as Member States legislation. Firms need to be familiar with the constraints, functioning, norms and resulting opportunities of the EU institutional decision-making process, and stay informed to avoid additional costs but rather, benefit from additional convergence that may be coming from this institutional environment.

The European Commission, or Commission of the European Communities (CEC), is a politically independent institution that represents the interest of the EU as a whole. Its powers are mainly of an executive nature, but they are also political, legislative and administrative, in cooperation with the powers entrusted to the Council of Ministers and the Parliament. Seated in Brussels, it possesses exclusive powers to initiate legislation and to set up proposals. It manages and implements EU policies and the EU budget, and, together with the European Court of Justice, it enforces European Law. The CEC is composed of a president and his or her vice-presidents, commissioners and departmental staff headed by a director general.

The CEC is organized around Commissioners, nominated by national governments, with each running a directorates general (DG) in charge of a specific policy area. The CEC functions through the articulation of European interests, based on a maximum consensus of diverging approaches, attitudes and impacts. It officially conducts the relations with international organizations as well as non-members for EU member states. The work of the CEC is often complemented by expertise from the outside. National civil servants via committees or other knowledgeable parties, such as Eurogroups (pressure, interest or lobbying groups), are consulted to make sure that the CEC has sufficient knowledge of stakeholders and issues before a rule or legislation is initiated. This provides an opportunity for European business to participate either directly or indirectly and influence decision-making at the CEC.

The European Parliament (EP) is the only directly elected institution of the EU. The Members of the EP (MEPs) act as ‘representatives of the peoples of the States brought together in the Community’ and meet for the plenary sessions in Strasbourg or Brussels. The Parliament shares the power to legislate (co-decision) and authority over the EU budget with the Council and it exercises democratic supervision over all the EU institutions. Historically, the EP evolved from a consultative body of the EC to powers to suggest amendments of CEC or council proposals, to delay legislation and to approve the designation of the commissioners and to dismiss the CEC as a whole via a motion of censure (with a two-thirds majority). Since the Treaty of Nice, co-decision powers of the EP have been expanded, sharing legislative powers with the Council, and expanded to cover new areas. In contrast to some outdated popular opinion, the EP is a powerful institution. MEPs can be contacted directly by all citizens and businesses. This access allows business people and their firms to seek to directly convey their interests and concerns to key decision-makers in the European decision-making institutions.

The Council of the European Union (often referred to as the Council), is of foremost importance in European decision-making. It generally acts upon a proposal from the CEC and decides on issues jointly with the European Parliament, under the normal decision-making procedure. Its meetings in Brussels are attended by one minister from each of the EU’s national governments, the minister changes depending on the policy issue being discussed. The Council is thus a single institution that meets in ten different configurations depending on the subject being considered. There is also always one representative of the CEC who attends the meetings as a non-voting participant, to ensure that institutions are up-to-date about each other’s doings. The meetings are chaired by the minister from the country holding the Council presidency. The presidency of the Council rotates every six months among the member states. The state holding the presidency, together with the preceding state and the successor, constitute the so-called Troika (not to be confused with the Troika of the ECB, IMF and CEC in the Greek debt crisis). The work of the ministers is supported by the Committee of Permanent Representatives of the Member States (Coreper), working parties from national governments and a General Secretariat, which has its own legal service to cover EU activities. The Council uses qualified majority voting (QMV) for about 80 per cent of decisions, and simple majority and unanimous votes for the remaining decisions. National business interests are most directly represented in the Council, as specific business interests cannot directly influence the institution. Business is limited to garner support domestically, in their home countries or another member state, to exercise influence on decision-making via the relevant government minister. This suits more collective (i.e. national) interest representation rather than individual business interests.

The European Council is the institution that defines the general political guidelines of the EU. It is composed of the heads of state of the EU member countries, its president and the president of the CEC. It meet twice a year, chaired by the Member State holding EU presidency. The European Council sets priorities and political directions and resolves issues of a high political nature. As with the Council, this is a political institution. Due to the nature of its membership and general remit to set the overall direction of the EU project as a whole, this institution is not typically considered an attractive or viable arena for the exercise of business interest influence. However, awareness of the direction it takes provides solid, early indication to business for the future market conditions that can be expected across the EU.

The Court of Justice of the European Union (CJEU) represents the judicial authority of the EU and is divided into two courts, the Court of Justice (ECJ) and the General Court. It makes sure that EU legislation is interpreted and applied in the same way in each Member state and has supremacy over member states' national law. Judges are drawn from the member states of the EU and their number corresponds to that of the member states at a given time. The ECJ is assisted by the Court of First Instance to lighten the workload of the ECJ to only those actions directly appointed to it. The court has an impact on European business activity through its ability to (re)shape specific business actions or conditions in the European business environment. Through its judgements it can act as protective or disruptive to business activity.

Another court of the EU is the European Court of Auditors that audits the collection and spending of EU funds, ensuring also their economic management. Thereby ensuring that EU funds are collected and used correctly, under sound financial management. There is no real opportunity for business interests to directly exercise influence this institution.

The decision-making process of the EU is both multi-institutional and multilateral. It consists of three main procedures which are 'consultation', 'assent', and the ordinary legislative procedure (previously called 'co-decision'). Since the Lisbon Treaty most decisions are taken by the ordinary legislative procedure. This means that decisions about the European marketplace are made in an increasingly democratic and transparent manner, so that business and other multi-stakeholder interests can be well presented and considered during the process. Most decisions are also taken by 'qualified majority voting' rather than requiring every single country to agree. During their decision-making process, the EU institutions are supported by many agencies like the European Economic and Social Committee (EESC) that expresses the opinions of civil society, or the Committee of the Regions (CoR), that expresses the opinions of regional and local authorities.

The EU uses several non-binding and binding primary legal instruments, as well as a series of legislative tools such as the institutions' internal regulations and Community action programmes. The binding implementation tools include regulations, directives and decisions. Non-binding tools include recommendations, opinions, joint actions and framework decisions. The legal institutions develop case law, issue judgements, opinions and orders. All EU instruments are part of

Community law which has priority over member states' national law. Different institutions also issue communications, case law, judgments, and orders. Important tools for communications include Commission communications, green papers, white papers and reports.

The budget is funded mainly from the EU's own resources (accounting for 98 per cent of the budget), with only some other supplemental sources. The budget is based on a principle of revenue and expenses matching, and features in-built schemes to compensate specific EU Member Countries. The European income mainly flows in from Value-Added Tax, averaging typically about 40 per cent of the budget, and from national contributions. It is shared among the institutions and the structural funds which help to boost specific regions, sectors or economic and incentive activities within member states. Among these, agricultural support has a main share of more than 40 per cent of the overall budget.

The legislative and budget tools of the EU are essential to ensure the functioning of its objectives. About 6 per cent of EU expenditure goes to the running of the EU institutions and its translation services for its 23 official languages. They often result from complex member states negotiations over sharing sovereignty and giving up national power. It is important for companies to be aware of these institutions and tools, as they are essential European market regulators. They also tend to influence some market conditions beyond the EU, given they great network of FTAs and other forms of integration that the EU has around the world.