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Sharon Beder
*University of Wollongong*, sharonb@uow.edu.au

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RESEARCH ONLINE

# Business-Managed Democracy: The Trade Agenda

**Sharon Beder**

Abstract:
The architecture of global governance that has emerged in the past two decades has been strongly influenced by transnational policy actors. This article examines the role of transnational corporate agency in social policy by focusing in particular on the role of business coalitions, elite networking bodies and policy planning groups in fostering unity amongst corporate actors and enrolling political actors into managing democracies in the interests of business. The example of the General Agreement on Tariffs and Trade (GATT) and the World Trade Organization (WTO) is used to examine how corporate agency is wielded through elite networking organisations and how this is eroding national social policy.

keywords: business influence, corporate coalitions, GATT negotiations, World Trade Organization, General Agreement on Trade in Services (GATS)

## INTRODUCTION

The purpose of the many powerful business coalitions that corporations have formed in recent decades is to ensure that corporate interests are advanced over the welfare, health and other interests of national populations and to undermine the democratic process for deciding government priorities and policies. What business leaders seek, and to a large extent have achieved, are 'business-managed democracies', that is, democracies where the politics and cultural life of nations are managed in the interests of business.

Klaus Schwab, a long-time president of the World Economic Forum (a group formed from 1000 CEOs of the world's largest corporations), argued in 1999 that the "sovereign state has become obsolete" and that the preference of the chief executives of large corporations is for national governments to become subservient to corporate and financial interests (Quoted in Machan, 1999; Overbeck, 1998). David Rockefeller (1999, p. 41) wrote in *Newsweek* that business people favour lessening the role of government but that this means that "somebody has to take government's place, and business seems to me to be a logical entity to do it." Rockefeller was founder and chairman of the Trilateral Commission, an elite group of business leaders and others from the US, Japan and Europe seeking to guide international affairs.

Corporations have always had a certain amount of power through their ability to make decisions concerning production and employment. And as they have grown in size and number that economic power has become significant and has been used to exert political influence. Individual corporations frequently influence the political process on matters of immediate financial interest to themselves through donations and lobbying and the threat of transferring their activities abroad. They also play a major role in setting the political and the public agenda through their use of public relations, lobbying, and funding of third parties such as media, think tanks, and business organizations. (Beder, 2002 & 2006b)

However, corporations have not been content with the degree of economic power and political influence they can wield individually. Since the mid-20th Century they have sought to increase their collective power, consolidating their political influence to pressure governments to make decisions in favour of business interests. And since the 1970s corporate coalitions have moved from defending their economic freedom from the demands and interventions of labour unions and governments, to being far more aggressive in their goals extending them from just determining economic policy to social policy as well. Their takeover of key areas of government policy making and service provision has meant that as time goes by democratic power is undermined and thwarted (Beder, 2006a).

Many of the subsequent changes since the 1980s have been blamed on the rise of neoliberalism. However it is important to recognise that for many years neoliberal economic theories were considered marginal and obsolete. They moved from the margins of economic thought to the centre of orthodoxy because they became useful to business interests seeking to minimize government interference in their activities and expand markets. Neoliberal theories were embraced by big business because they provided a legitimation for their unimpeded pursuit of self-interest and avenues for business expansion. The policy prescriptions that suited business best—including privatisation of government services and deregulation of labour and business—were justified by this body of economic theory that presented such policies as being in the public interest (Beder, 2006b: ch. 7).

However, neoliberalism is only useful for business-managing society when the economy is expanding and corporate profits are increasing. In times of economic downturn, as the recent global financial crisis has demonstrated, business leaders manage governments into supplying bailouts for companies and government spending for economic stimulus. The apparent retreat from neoliberal policies doesn't signal a retreat of business from managing democracies. Business-friendly policies are being maintained in business-managed democracies around the world.

This paper will focus on the way business coalitions have sought to expand markets through the exercise of business-managed democracy. It will show how they have mobilised and lobbied to get governments to sign up to trade agreements. These agreements are portrayed as being about economic trade but are really about ensuring that the social and environmental policy and regulations of nation states does not interfere with the ability of transnational corporations (TNCs) to invest, trade and sell their services anywhere in the world. In particular, the General Agreement on Trade in Services (GATS) is aimed at promoting and locking in the commodification, privatisation and deregulation of public services ranging from water, waste disposal, electricity and telecommunications through to welfare, health and education, so that TNCs can profit from them.

## POLITICAL MOBILISATION

The political mobilization of business interests since the 1970s meant that corporations began to act as a class with a shared ideology rather than a collection of competing companies with some common business interests. The class consciousness of top corporate executives was facilitated by the growth of inter-corporate networks of ownership and interlocking directorates of large corporations, which gave rise to a growing number of corporate executives who occupied positions on the boards of several companies. These corporate executives became politically active on behalf of business in general. They provided the leadership for business coalitions and associations and were employed at the top levels of the largest corporations (Useem, 1984:5). Many of these coalitions are now global in their reach reflecting the transnational nature of the modern corporation. The corporate class has evolved into a transnational capitalist class (Sklair, 2000).

The inner circle of corporate executives facilitated the formation of many business associations and coalitions that sought a more general political agenda than traditional trade associations; one that was not industry or region specific. The new associations present a united front for their corporate members and assert the power of large corporations in political forums. These associations cooperate with each other and "perform largely complementary tasks." (Useem, 1984: 70-1) They not only share members and even leaders, but associations and coalitions often join other associations and coalitions as members, or create new associations and coalitions for specific purposes.

In this way a vast network of business coalitions and groups, supported by an array of corporate-funded think tanks and public relations firms, proliferated during the 1980s and 90s. Their purpose is not only to coordinate public relations campaigns as in earlier times but to exert collective pressure on policy makers. For example the rise of Thatcherism in Britain can be attributed in large part to the endeavours of two think tanks: the Institute of Economic Affairs (IEA) and the Centre for Policy Studies (CPS). In the US too, conservative corporate-funded think tanks have been responsible for the transmission and promotion of free market ideas and policies since the rise of Reagan in the 1980s (Beder, 2006a: chapter 1). In both cases, social policy was dominated by the privatisation of services such as health, education, water and electricity, as well as restrictions on government spending affecting welfare provision.

## THE WTO: UNDERMINING CITIZEN DEMOCRACY

The World Trade Organization (WTO) is the organization that ensures that trade rules prioritise business interests over national and public interests. It has greater powers than any other international institution including powers to punish non-complying nations that are not even available to the United Nations. Over 130 nations are now members of the WTO. It has become a form of global government in its own right with judicial, legislative and executive powers. (Clarke, c. 1999: 4-5)

> the WTO has come to rival the International Monetary Fund as the most powerful, secretive, and anti-democratic international body on earth. It is rapidly assuming the mantle of a bona fide global government for the 'free

> trade era,' and it actively seeks to broaden its powers and reach (Barker & Mander, 1999: 1).

The WTO is able to enforce its rules through its dispute settlement mechanism. If one country complains that another is not abiding by WTO rules, the case is heard by panels of unelected lawyers and trade officials "with no education or training in social or environmental issues", behind closed doors with no public scrutiny. These panels are able to find countries guilty of breaking the rules and to impose economic sanctions as punishment. (Barker & Mander, 1999: 2)

Such rulings can declare as illegal legislation put in place by democratically elected governments as part of their social or environmental policy agenda. The WTO has fairly extensive powers to discipline nation states—as well as local, state and regional governments—for regulations and controls that are claimed to interfere with trade. WTO rules also take precedence over other international agreements designed to protect public health and welfare including agreements such as the Convention on Biodiversity and the Montreal Protocol on Substances that Deplete the Ozone Layer (Barker & Mander, 1999: 6).

WTO rulings consistently favour free trade over environmental or social considerations. CorpWatch noted that between 1995 and 2001 "the WTO has ruled that every environmental policy it has reviewed is an illegal trade barrier that must be eliminated or changed." The same was true of health and safety laws with only one exception (Anon, 2001). A more recent study by Public Citizen (2008: 3) found that almost 90 percent of the 137 WTO challenges to national laws between 1995 and 2008 were successful, forcing nations to alter their laws to fit with WTO rules.

A good example of how trade priorities trump social policy priorities occurred in 2004 when a WTO panel ruled that the US government could not ban internet gambling. The panel conceded 'that the measures at issue were indeed designed so as to protect public morals or to maintain public order' but decided that the measures were not allowable because:

> the United States had failed to demonstrate that they were 'necessary' since it had not shown that there was no WTO-consistent alternative measure reasonably available that would provide the United States with the same level of protection against the risks it had identified. (WTO Panel, 2004: 135)

In answer to the issue of whether a nation had the right to regulate in response to democratically formulated policy, the panel of three trade experts that made the gambling ruling stated: 'Members' regulatory sovereignty is an essential pillar of the progressive liberalization of trade in services, but this sovereignty ends whenever rights of other Members under the GATS are impaired.' (WTO Panel, 2004: 209)

In other words, the ban on internet gambling was ruled to be a trade restriction that interfered with the rights of another member of GATS – in this specific case the complainant state, Antigua – where at least one transnational gambling corporation had its nominal base of operations. According to the ruling, if the US wants to protect

public morals it has to find a way to do it which does not restrict corporate rights to trade. Otherwise the onus is on the US government to prove no such alternative exists.

The WTO ruling required US social policy with respect to gambling to be changed at both the state and federal levels of government.

In 2008 Public Citizen published a report showing that many of the proposed health and environmental policies being proposed by US presidential candidates would require modification to WTO rules before they could be passed. For example, Obama's proposal to require large employers to contribute to the health insurance of their employees could be interpreted as favouring small employers that would mainly be locally owned and this would be discriminatory against larger foreign companies. The report concluded that "unless a government could foresee that it would need to take future action on an unimaginably broad swath of policy areas when it made its initial WTO commitments in 1994, it now faces unacceptable WTO constraints on new non-trade policies deemed necessary", including social policies (Public Citizen, 2008).

## BUSINESS LOBBYING

A range of powerful corporate lobbying groups and coalitions were crucial in advancing the General Agreement on Tariffs and Trade (GATT) and establishing the WTO. Within each of the major nations that dominated the GATT negotiations, business leaders had privileged access to influence their country's negotiating position. The economic or trade ministry officials involved in the negotiations were lobbied extensively by industry at both a national level and an international level by groups such as the International Chamber of Commerce (ICC) and the OECD's Business and Industry Advisory Council (BIAC) (Hoedeman & al., 1998). No other non-government groups had the access or influence accorded to business groups. In this way, the negotiating positions of the dominant nations reflected business interests rather than a broad spectrum of democratic interests.

Several large and powerful business organizations campaigned for the successful completion of the Uruguay Round of GATT negotiations in 1994 and the expansion of free trade. They included the International Chamber of Commerce, The Bilderberg Club and the Trilateral Commission (Beder, 2006a).

The European Round Table of Industrialists (ERT) was a leading lobbying force during the Uruguay Round and it claims some of the credit for the completion of the Round. Its Trade & Investment working group worked closely with the US Business Roundtable. (ERT, 2003a; 2003b: 40) The ERT was founded in 1983 to represent European business interests and their push for free trade. It was modeled on the Business Roundtable in the US. Membership is by invitation only and includes Chairs and CEOs of major multinational companies headquartered in Europe, including Bayer, Fiat, BP, Royal Dutch/Shell, Unilever, Volvo, Hoffmann-La Roche, Total, Renault and Siemens (ERT, 2004).

The ERT has had privileged access to EU policy-makers and national government leaders and that access has become institutionalized as the ERT has been integrated into EU committees. Its privileged access to ministers and leaders is reinforced by personal contacts and friendships, including those between successive ERT chairs and EC Presidents. (CEO, 1997; Doherty & Hoedeman, 1994; ERT, 2003b: 33,46). At the end of the Uruguay Round an ERT delegation of 14 CEOs met with the French prime minister "to help resolve the European position in the talks" (ERT, 2003b: 53).

The US-based MTN (Multilateral Trade Negotiations) Coalition was formed in 1990 as part of the lobbying effort to kick start the suspended negotiations. The Coalition lobbied within the US for congressional support for the GATT negotiations and also outside the US. Coalition representatives visited London in 1991 to "drum up British support for a wide-ranging trade agreement". (Norman, 1991: 13)

The MTN Coalition claimed to represent 14,000 US companies including the major multinationals such as IBM, General Motors, American Express, General Electric, Citicorp and associations such as the National Association of Manufacturers (NAM) and the US Council for International Business (USCIB). It claimed to be "the largest coalition in history." (quoted in Peng, 1990: 10)

The World Economic Forum (WEF) also played a major role during the Uruguay Round. The WEF claims to be the "leading interface for business/ government interaction" and "a major force for economic integration at the corporate as well as the national economic levels." (WEF, 2000) The WEF has power through the financial power of its members. It wields influence through bringing the world's top business people and top policy makers together at its annual meetings at Davos and elsewhere. Its meetings include an Informal Gathering of Trade Ministers (Beder, 2006a: 112).

## TRADE IN SERVICES

The Uruguay Round went far beyond, in both power and scope, the limited objectives of lowering tariffs on manufactured goods. Pressured by TNCs, negotiators from the US and the EU sought to include services, intellectual property rights and investment rights as part of GATT despite the opposition of developing nations (Beder, 2006a).

Included in the final GATT agreement was the General Agreement on Trade in Services (GATS). The aim of GATS is to open up the provision of all services—including health, education, water, electricity and telecommunications—to foreign investment through privatisation and deregulation (referred to as liberalisation). It prohibits governments from discriminating against foreign multinational companies that want to buy government services or compete to supply them, in areas that governments agree to liberalise.

Under GATS rules, once a country decides to liberalise its electricity or water it cannot put any limits on foreign ownership nor limit how much of the industry one company can own. Also a government is not allowed to favour local businesses, so that if it subsidizes renewable sources of electricity, such as hydroelectricity, and these subsidized sources are mainly owned by local companies, then that could be

interpreted as discriminating against foreign service providers that use 'dirty' sources of power like oil and gas (Cohen, 2002: 10-11).

Also, if services such as health and education are committed to GATS then government subsidies would be seen as giving unfair advantage to local providers. And it is likely that governments would not be able to set price caps on the fees charged for essential services like water and electricity. Governments would therefore lose the ability to ensure that these services were affordable to their poorer citizens (unless sectors of the population are directly subsidized with taxpayer funds, which would be paid to the foreign companies) (CEO, 2000c).

GATS also prevents national governments from putting quantitative limits on services once a service sector has been committed. So if a government agrees to liberalise tourism services, for instance, it cannot then limit the number of beach resorts to protect the environment or the community atmosphere of an area without being subject to challenge under GATS rules (Wesselius, 2002: 5).

GATS restrains governments from imposing social policy standards that might hinder free trade in these services. Article VI of the GATS agreement only allows regulations where regulatory objectives are legitimate; the regulation is necessary; and the regulation does not restrict trade more than necessary (ESF, 2002: 5). Illegitimate regulations might include professional standards, taxation policies, and other policies to achieve objectives such as preserving government services or providing employment. (Wesselius, 2002: 4)

> As a practical matter, this means nations will have to shape laws protecting the air you breathe, the trains you travel in and the food you chew by picking not the best or safest means for the nation, but the cheapest methods for foreign investors and merchants (Palast, 2001a).

Attempts within the WTO to establish a list of legitimate objectives for regulations has proven difficult. GATS requires that domestic regulations such as environmental regulations should be developed in accordance with international standards, that is, if regulations accord with international standards they would meet the necessity test (ESF, 2002: 5-6).

As part of the official offers and requests process aimed at expanding GATS commitments, the European Commission (EC) has requested that other nations open up their water sectors, large parts of their energy sectors including electricity, and other sectors such as transport, to competition from abroad. These requests were not an outcome of democratic decision making in Europe but were kept secret until they were leaked.

There are ongoing efforts to keep GATS offers and requests secret and therefore to inhibit public debate and democratic input into decision-making. In January 2003, Pascal Lamy, the EC trade commissioner advised governments that they would not be able to distribute copies of offers to their parliaments (Anon, 2003: 7).

The Corporate Europe Observatory argues that these requests show that the EC

intends 'to use the GATS talks to deregulate and de facto privatise essential services, particularly in the South' (CEO, 2002). According to the World Development Movement, any developing country escaping privatization of services under World Bank or IMF structural adjustment packages, or seeking to reverse them, 'will feel a left hook coming in from the WTO'. It notes that if GATS negotiations are successful, 'governments will be forced to privatise services and the sale will be irreversible' (WDM, 2001: 3). Moreover, GATS will provide an excuse for governments that want to privatize against the will of the people, for reasons of corruption or ideology or misconception. They can pass on responsibility for the decision to the WTO which has required it.

## TRADE IN SERVICES COALITIONS

The role of multinational corporations in incorporating services into the free trade agenda is undisputed. David Hartridge, Director of the WTO Services Division till 2001, admitted that 'without the enormous pressure generated by the American financial services sector, particularly companies like American Express and Citicorp, there would have been no services agreement.' (Quoted in Puscas, 2003: 3)

The Coalition of Service Industries (CSI), a group of large US-based multinational for-profit service corporations, was formed in 1982 with American Express playing a major coordinating role. Its initial purpose was to get services included in the GATT round of negotiations and to make trade in services 'a central goal of future trade liberalization initiatives' (CSI, 2003a).

CSI boasts of its 'excellent access to U.S. and foreign governments and international organizations' (Vastine, 2002: 1). According to its chair in 2000, Harry Freeman (2000: 458) (formerly a vice president of American Express): 'The U.S. private sector on trade in services is probably the most powerful trade lobby, not only in the United States but also in the world.' CSI's 'foremost goal is to open foreign markets to US business and allow them to compete abroad.' (CSI, 2003b).

CSI claims to have 'played an aggressive role in writing' and ' shaping' the General Agreement on Trade in Services (GATS), included in the WTO at the end of the Uruguay Round (Vastine, 1999). Freeman (2000: 458) states: 'At the close of the Uruguay Round, we lobbied and lobbied. We had about 400 people from the U.S. private sector.'

CSI has ongoing goals with respect to trade in services. It wants nations to commit to pensions policies that would 'encourage private savings for retirement' and thus provide opportunities for foreign investment companies to profit from people's retirement, which would be precluded by a government pension scheme (CSI, 1999). The Bush administration subsequently pushed for this approach to aged pensions in the US (Beder, 2006b).

Health care services are another CSI target. The CSI makes the doubtful claim that competition in the US health care field has enabled cost reductions to occur whilst quality has improved. The companies involved stand to gain from the opportunities

that the rapid growth of health care expenditures in some other countries might offer. This requires that nations open up their health care markets to competition and allow majority foreign ownership of their health care facilities. (CSI, 1999)

US companies have been excluded from this profit opportunity by the fact that health care has traditionally been a government responsibility in most countries. In OECD countries barriers such as restrictive licensing of health care professionals and 'excessive privacy and confidentiality regulations' continue to be an obstacle to foreign companies (CSI, 1999).

The CSI demonstrated the power of business coalitions in setting the agenda and influencing the outcomes of trade negotiations during the Uruguay Round and subsequent negotiations. In fact it inspired similar service industry coalitions in other countries that hope to profit from access to markets in foreign countries (O'Hare, 2002: 2). These include the Australian Services Roundtable, the Irish Coalition of Service Industries and the Hong Kong Coalition of Service Industries.

But CSI did more than provide a model to emulate. It also actively took part in the formation of later coalitions. Freeman and the CSI played a major role in the formation and running of some of these business coalitions, including the MTN (Multilateral Trade Negotiations) Coalition, the Financial Leaders Group and the Global Services Network. CSI is also one of the Associate Expert Groups for the Business and Industry Advisory Committee (BIAC) to the OECD.

On the other side of the Atlantic, British Invisibles (BI – renamed later as International Financial Services, London, IFSL), a UK business coalition, played an active role in forming and running national and European business coalitions to push for GATS (Beder, 2006a). Unlike CSI, British Invisibles formalized its access to key government bureaucrats through a committee structure that included sympathetic government officials from the Department of Trade and Industry (DTI), HM Treasury, the Foreign and Commonwealth Office (FCO), the Bank of England and the Financial Services Authority (FSA). This Liberalisation of Trade in Services (LOTIS) committee began meeting in the early 1980s with the aim of influencing the GATT negotiations. It became the main lobbying organization for the UK financial services industry. (IFSL 2003)

Because of the hybrid business/government nature of the LOTIS committee, financial corporations were privy to government information that was not publicly available, including internal EU papers and draft submissions to the WTO from other nations. They also had high level access to government negotiators and WTO officials (Beder, 2006a).

Leaked documents indicate that the LOTIS committee was influential in getting EC negotiators to push for a strict 'necessity test' within GATS. A WTO secretariat memo states that trade ministers had agreed that if such regulations were challenged in the WTO, a defense of "safeguarding the public interest" would be rejected. The memo suggests that if the WTO adopted 'efficiency' as a criterion rather than public interest, then government leaders would have more excuse to eliminate unwanted social and environmental regulations even if their citizens wanted them. If regulatory authorities

or citizen groups demand regulation, politicians could avoid it by saying that WTO rules would not allow it as it was too burdensome to industry. (Palast, 2001b)

## GETTING A NEW ROUND STARTED

Following the successful outcome of the Uruguay Round and the establishment of the WTO in 1995, various business lobbies worked to get a new round of WTO negotiations started that would include issues such as investment and the opening of government procurement to tender from foreign companies. The chair of the US Council for International Business (USCIB), Dean O'Hare (2001), claimed to have "helped secure the launch of the new round of WTO trade negotiations" using the networks of the International Chamber of Commerce (ICC) and the OECD's Business and Industry Advisory Council "to build overseas support for U.S. business objectives" in the new round:

> American business stands to be a major winner from the new round of trade liberalization talks… USCIB worked diligently to help set the table for a new round, laying out benchmarks for U.S. negotiators in a variety of areas and exploring the possible inclusion of new issues like competition policy, environment and investment.

The Europeans have also played an active role in promoting the new round. The ERT established a working group on Foreign Economic Relations in 1998, chaired by Peter Sutherland, formerly Director-General of GATT. It led delegations to meet with the Director-General of the WTO, Renato Ruggiero, and Mike Moore when he took over from Ruggiero. The ERT continues to work with the US Business Roundtable (BRT) to assure the success of this new round of negotiations. (ERT, 2003b: 68, 97)

Similarly the European employers association, UNICE, had seven working groups and more than 20 lobbyists on WTO issues. Renamed BusinessEurope in 2007 it claims to represent "more than 20 million small, medium, and large companies" through membership of "40 central industrial and employers' federations from 34 countries" (BusinessEurope, 2009). It worked with the EC to gather support for a new, comprehensive round that would include issues such as investment and government procurement. It was "by far the most visible European lobby group" at the 1999 Seattle WTO Ministerial meeting. (CEO, 2000a, 2000b)

Business groups had hoped a new round would begin at WTO Ministerial meeting in Seattle in December 1999 and spent millions lobbying to that end (Madeley, 2000: 11, 16). The US Alliance for Trade Expansion (USTrade) ran a series of 'education' events across the US in the lead up to the Seattle meeting. It also organized a 'war room' in Seattle in the week before the WTO ministerial meeting "to provide rapid response from the pro-trade business community to the many allegations expected to be raised by protestors" (Paulson, 1999; USTrade, 1999).

USTrade was chaired by executives from Boeing, Caterpillar and Procter and Gamble. Its steering committee included members of the American Chemistry Council, the National Association of Manufacturers (NAM), Ford Motor Company, Texas

Instruments, the Business Roundtable, USCIB and the US Chamber of Commerce. It was housed at NAM. As with other coalitions its members featured a who's who of American corporations and trade associations including the American Petroleum Institute, Bayer, Chubb, DaimlerChrysler, DuPont, Federal Express, Hewlett-Packard, the National Mining Association, Nestle, Pfizer (USTrade, 1999, 2002).

The Seattle host committee, chaired by Bill Gates, CEO of Microsoft and Philip Condit, CEO of Boeing, offered corporations various levels of access to negotiators and ministers according to their level of donation (Clarke, c. 1999: 1). However at the meeting the US and the EU could not agree on agricultural trade concessions and developing countries claimed that whilst they were having to open up their markets the affluent countries were not making similar concessions. Developing countries, sick and tired of being marginalised in the decision-making process, and encouraged by the vigorous street protests going on outside, refused to passively go along with any negotiated deal that they had not participated in. (Kwa, 2003: 19; Madeley, 2000: 13-14)

To counter the growing public opposition to free trade negotiations, particularly with regard to services and investment, business launched a new public relations campaign. Opposition to the expansion of free trade rules was labelled 'globophobia', and business groups sought to portray free trade in a more favourable light (Beder, 2006a: 194-200).

Hoedeman and Doherty (2002: 67, 71) describe how: "Since Seattle, US business has engaged in a multi-faceted, multimillion-dollar counter-campaign involving individual corporations, lobby groups like the Business Roundtable and the US Chamber of Commerce, corporate-sponsored think tanks, and of course the ever-faithful PR industry". Similarly Phillip Babich (2000) from the National Radio Project noted how "corporations are showering the US congress with well-funded lobbying campaigns and pro-free trade think-tanks are engaging in an information war for public opinion."

European business coalitions such as the ERT and the European Service Forum (ESF) "intensified their behind-the-scenes lobbying and left the public" campaigning to Trade Commissioner Pascal Lamy and industry-funded think tanks such as the European Policy Centre and the Centre for European Policy Studies. Exceptions included an information campaign by Swedish Employer Organisation, Svenskt Nringsliv, targeting high school students and a campaign by the Association of German Industries (BDI). (Hoedeman & Doherty, 2002: 67, 71, 72)

## THE DOHA ROUND

At the next ministerial meeting in Doha in 2001 developing countries again found themselves marginalised. However this time the US and the EU were more united. This was partly because of the efforts of the Transatlantic Business Dialogue (TABD) (CEO, 2001; Kwa, 2003: 19; Public Citizen, 2003).

TABD is a coalition of 100 CEOs of US and European companies formed in 1995 to present a unified and powerful front to trade negotiators. Because its membership

consists of corporate CEOs of large TNCs, TABD has high level daily access to governments and uses it to pressure them to sign up for business-friendly trade agreements such as GATS. The Clinton Administration "established an entire inter-agency working group just to work on the TABD's demands." (Public Citizen, 2003; TABD, 2002, 2004)

Balanyá *et. al.*, (2000: 107) note that: "Over the past few years, the TABD has presented its demands in the form of a 'scorecard', setting 'priorities' for governments to focus on, and even going as far as to set 'deadlines' for completion. The audacity of this 'scorecard' approach reflects the cosy relationship the TABD enjoys with government, and its conviction that its recommendations will be carried out."

TABD develops policies that suit big business. The US and the EU then present them to the WTO as 'done deals'. Public Citizen (Public Citizen, 2003) notes: "The TABD has been labelled the 'new paradigm for trade liberalization' by its proponents because it eliminates the 'middle man' from trade policy-making. That middle man is the U.S. and E.U. governments, and by extension, U.S. and E.U. citizens and consumer, labor and environmental NGOs."

The TABD gives the US-EU block strategic direction in the WTO negotiations and this provides a formidable power block to bully and marginalise smaller countries. This was evident at the WTO Ministerial Meeting in Doha in 2001. An African delegate claimed: "we made so many suggestions before Doha but they were ignored… We gave texts. We didn't know where they went, but they didn't find their way to the draft declaration". Similarly a South Asian delegate pointed out: "We would object to a text, but it would still appear. We would state we wanted a text added in, and still it would not appear." (quoted in Kwa, 2003: 23)

The BRT joined with ERT, the ICC and the Canadian Council of Chief Executives in 2003 to launch a multimillion dollar advertising campaign to support the Doha Round. The aim was to persuade the public that further free trade will create billions of dollars worth of wealth for all concerned. (BRT, 2003; Anon, 2005; InvestmentWatch, 2003)

The draft text presented to the 2003 Cancún meeting was put together by the WTO without consultation with the full WTO membership and reflected the position of the US and the EU rather than the developing nations (Hilary, 2004: 6, 10). A major reason for the intransigence of the US and the EU in the negotiations was the pressure being put on them by business. Not only were various powerful business coalitions pushing for free trade to be expanded to incorporate free investment but the agribusiness lobby was well represented at Cancún. The US delegation alone included some 70 corporate advisers, including those representing the interests of agricultural corporations. These interests were also well represented on the EC delegation. (Hilary, 2004: 22)

Whilst corporate advisors were included on many delegations and had access to negotiating documents, NGOs and civil society representatives were excluded. Those developing nations that tried to include them were pressured not to, according to an ActionAid report that cited Uganda and Kenya as examples. Similarly the UK

criticised some EU countries for sharing too much information with civil society representatives. (Hilary, 2004: 23)

Further negotiations in 2004 resulted in the dropping of investment, government procurement and competition policy from the agenda of the current round of negotiations but in return "developing nations will have to open up their economies to imports of manufactured goods and to large service companies in return for vague promises on agricultural reform." (WDM, 2004)

USTrade was reborn in 2005 as ABCDoha (American Business Coalition for Doha) with a mission of amplifying "the voice of American business in advocating for an ambitious, balanced, and comprehensive agreement from the Doha Round", by working closely with "the U.S. Administration, U.S. Congress, WTO leadership, officials and colleagues in other WTO member countries, and other NGOs" as well as "conducting widespread education campaigns about the benefits of trade liberalization" (ABCDoha, 2006).

The business community continues to press for a successful conclusion of the Doha Round. In April 2009 the G8 Business Leaders, a group representing business coalitions in G8 nations, declared the need for G8 governments to "strengthen and publicly renew their full commitment to an open global economy… The successful conclusion of the Doha Round lies at the very heart" of this commitment and would provide "the strongest possible stimulus for the recovery of the global economy" (G8 Business Leaders, 2009).

G8 government leaders have not been slow to confirm their commitment to open global trade.[i] The difficulty for Doha negotiators is persuading the rest of the world that it is in their interests to sign up to this business-managed democracy.

## CONCLUSION

Business coalitions and networks work on the principle that a "combined voice is more powerful than one that is fragmented" (Buxton, 1999: 2). Companies that are theoretically competitors in the market, cooperate with each other to protect business interests against democratic regulations and restrictions. Individual firms network with national sectoral associations, national sectoral associations network within national peak associations such as the US Chamber of Commerce or USCIB, and national peak associations network with international peak associations such as the ICC (Braithwaite & Drahos, 2000: 491).

USCIB (2003) notes that:

> Leading American companies increasingly recognize that, to succeed abroad, they must join together with like-minded firms to influence laws, rules and policies that may undermine U.S. competitiveness, wherever they may be… By helping shape international regulation and expand market access for U.S. products and services, USCIB members can lower the costs of doing business abroad and enhance their long-term profitability.

The European Services Forum (ESF) similarly recognized that: "By tabling a coordinated document, the industry will be stronger within the European Union and vis-à-vis the other WTO Member States and will give to their sectoral requests a political dimension that individual sectors will not be able to achieve." (Kerneis, 2000: 5)

A great number of trade coalitions have been formed for this purpose of presenting a combined and powerful voice for business. These coalitions are tightly networked and closely interrelated through their common corporate membership. This multiplicity of coalitions with heavily overlapping membership and leadership enables corporations to multiply their power and influence.

The enlistment of regulators, bureaucrats and politicians in their cause has been a key achievement of those lobbying for various agreements within the GATT and the WTO. This is made easier by the phenomenon of the revolving door. Large corporations are able to offer lucrative positions, including directorships, to those who are supportive of their aims.

The "unprecedented levels of strategic alliances and global networks" created by TNCs have been referred to as a new form of capitalism: 'alliance capitalism'. In this new form of capitalism, TNCs have more in common with, and show more loyalty to, TNCs from around the world than with the countries where they are headquartered (Sklair, 2002: 65). Despite this shift in allegiance, national governments still go out of their way to facilitate the business activities of these TNCs and to ensure government social policies do not unduly impede those activities.

Trade issues have traditionally been considered to be an area that should be handled by specialist experts in trade, who make technocratic decisions, rather than elected officials accountable to the public. WTO papers are not published and trade negotiators do not discuss the likely trade offs they will have to make—such as the loss of government autonomy over social services—with citizens of their countries before they embark on the negotiations, nor are the citizens informed of the content of the negotiations and the positions taken by their negotiators. (Braithwaite & Drahos, 2000: 209-11; Esty, 2002: 10)

The rise of corporate power and the increasing importance accorded to markets mean that TNCs are eclipsing the nation state as the driving force behind policy-making. The corporate goal of free trade has been given precedence over other citizen goals such as environmental protection, improved working conditions, affordable and accessible electricity and water, universal health care and schooling. Each of these areas of social policy has been subject to commodifiation, marketisation, privatisation and deregulation in the name of free markets.

So-called 'free' markets are becoming the new organising principle for the global order. The idea that governments should protect citizens against the excesses of free enterprise has been replaced with the idea that government should protect business activities against the excesses of democratic regulation. The bottom line is a business-managed democracy.

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[i] See for example, Joint Press Statement on ASEAN+3 Cooperation in Response to the Global Economic and Financial Crisis Bangkok, 3 June 2009, http://www.aseansec.org/JPS-ASEAN+3-Cooperation-Financial-Crisis.pdf; Meeting of APEC Ministers responsible for Trade, Singapore, 21-22 July, 2009, http://www.apec.org/media/2009_mrt_statement.html