



The EU Corporate Trade Agenda

The role and the interests of corporations and their lobby groups in Trade Policy-Making in the European Union

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1. Introduction

"We feel within the Commission that it is time for business to take a step further from simply supporting new rules and trying to influence their content. Business is the main beneficiary from the increase in trade liberalisation."

(Pascal Lamy, Director General of the WTO since September 2005, speaking to a business audience as EU Trade Commissioner)¹



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"Stop the EU's Corporate Trade Agenda!" – this is the slogan of a joint European campaign to expose the anti-development and anti-environment agenda of the EU in the WTO negotiations. The slogan addresses both the Transnational Corporations (TNCs) as true beneficiaries of trade liberalisation and as influential policy makers in the EU trade policy, but also the EU and its trade agenda, which has a strong bias towards corporate interests.

The overall objective of EU trade policy is to both liberalise and deregulate markets worldwide and to secure property rights for Transnational Corporations, thus introducing an economic model that is based on market access and export orientation. Supporters of the WTO and its understanding of free trade profess "trickle-down" effects, whereby the immediate gains of corporations would eventually be transmitted to the rest of society. However, the economic realities of the last decades have proven this theory wrong: Recent studies by UNCTAD and even the World Bank show that the promised gains for developing countries through trade liberalisation have repeatedly never come to fruition,² while gains from free trade for the largest TNC are clearly proven by economic data. For example, between 1990 and 2000, the world's 100 largest TNCs increased their total sales from \$3.2 to almost \$4.8 trillion.³

Yet, the European Commission still persists in its support for TNCs. The EU's corporate agenda is based on a broad political consensus amongst EU officials and TNCs and their lobbyists that international competitiveness – narrowly interpreted as safe-

guarding the short-term interests of large corporations - is the key to foster the EU economy. In such a setting, it is no surprise that corporate lobbyists are highly involved in trade policy making. In recent years, they have swarmed into Brussels to advance their interests vis-à-vis the EU's common trade policy making. Corporations have received a warm welcome: "*I count on your support and input,*" was the message with which Leon Brittan, at that time Trade Commissioner, addressed representatives of the European services industry in 1999.⁴ Or consider Lamy's message to business: "*You can [...] rest assured that our door will always remain open.*"⁵

With a focus on the three most relevant and most controversial issues at the end of the Doha Round of WTO negotiations – services, agriculture and non-agricultural market access (NAMA) – this paper aims to shed light both on those who are the beneficiaries of trade policy making in Brussels, the European Transnational Corporations, and those who pave the way for their global expansion and worldwide profits, i.e. the Brussels-based corporate lobbyists but also the European Commission. The Seattle to Brussels Network therefore promotes a strong pan-European campaign to:

- expose the corporate bias in EU trade policy making
- draw attention to the impact of such policies on development and the environment and
- demand a human rights-based trade policy instead of a narrow corporate trade agenda.

¹ Lamy 2002

² Weisbrot/Rosnick/Baker 2004

³ UNCTAD 2002b: 90

⁴ Brittan 1999

⁵ Lamy 2002

2. The EU corporate agenda in the WTO

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Global player EU?

The EU likes to portray itself as a friendly or 'benign superpower': "If there is a single issue on which we have set out to make a profound and lasting difference, it is development, and the essential task of integrating developing countries better into the global economy."⁶ So shouldn't the EU be strengthened in order to act as a counterweight to the hegemonic superpower, the US? No – the EU is no less aggressively self-serving in their trade policy agenda than the United States. One reason for this is that by now, more than half of the world's 100 largest TNCs have their headquarters in the EU.⁷ And these corporations have the same interests as their counterparts on the other side of the Atlantic: Enabling expansion through market access – no matter at whose cost. In close cooperation with the European Commission, European TNCs are working to force their agenda onto EU trade policy making.

This chapter deals with the following questions:

- How did European transnational corporations evolve in Europe?
- What is the role of transnational corporations in the EU?
- What is the EU's position in the current trade negotiations?

Transnationalisation of the EU economy

Since its early days after World War II, the area that is now the EU has increasingly developed into a highly integrated and powerful economic region. The European integration process started as a successful process, but lost momentum in the late 1970s and early 1980s when a worldwide economic crisis hit Europe. At this point, the European integration process changed face. The European welfare states and above all, labour market regulations were considered to be the reason for the European crisis. Therefore, it was said, only a truly integrated economy would enable Europe to compete with its global competitors, especially the US. In 1986, with the Single European Act, an immense liberalisation and deregulation programme began. The measures that were introduced allowed European corporations to undergo their business freely within the EU, which led to a process of fierce competition and concentration.⁸

With the rise of this so-called "neo-liberal" economic model, the process of liberalisation also spread beyond EU borders. From the mid-1990s onwards, the globalist fraction within the European economic elite, which had previously exerted pressure to open up markets for external trade, in turn asked for expanded market access outside Europe.⁹ At this point, the European economy became increasingly integrated into globalised net-

works of production, in which the largest European TNCs developed into the most influential corporate players in both the EU economy and politics. The Commission adapted their policy and adopted a free-trade or "pro-competitive" agenda. As Jacques Santer, President of the Commission at the time, stated to British corporate lobbyists in 1995: "*The Commission is on the side of those who strive for a more competitive Europe. It is time to stop treating the EC as an opponent when we are on the same side.*"¹⁰ While the implementation of the liberalisation programme did not run smoothly – leading to a loss in employment and an overall sinking of the growth rate – in the end, the true beneficiaries were some large European corporations. In 1995, European companies had a total share of 43.8% of foreign assets of the top 100 TNCs; by 2000, this number had risen to 53.0%.¹¹ In 2000, among the 22 newcomers to the world's top 100 TNCs were 13 European companies.¹²

BUSINESS FIRST: COMPETITIVENESS AND THE LISBON AGENDA

More recently, two of the most powerful European lobby groups, the European Roundtable of Industrialists (ERT) and the European employers' federation UNICE (see p. 11) have taken the lead in a business campaign to make international competitiveness the EU's primary goal. This campaign was a key factor behind the European Council's March 2000 decision to launch the so-called Lisbon strategy. Its overreaching goal is to turn the EU into "*the most competitive and dynamic knowledge-based region in the world*".¹³ The strategy is clear: The EU aims to enable European companies to develop into even more powerful and even larger "European champions". This "business-first agenda" entails deregulation within the European internal market, e.g. through a radical liberalisation of the services market with the proposed new services directive (the Bolkestein directive),¹⁴ as well as "external aspects of competitiveness", covering the EU's offensive interests in international trade issues. But the aims of the Lisbon strategy could not be achieved as quickly as planned. Consequently, in March 2005, the President of the European Commission, Manuel Barroso, introduced an even more drastic programme, the "Jobs and Growth Strategy".¹⁵ This renewed Lisbon Strategy aims to increase European competitiveness both through external aspects, i.e. increased global market access for European TNCs, and internal aspects, i.e. creating "flexible labour markets". In effect, this means reducing labour standards in the EU. Ultimately, the EU's drive for competitiveness means that the interests of big business will come first – while social and environmental standards, as potential "barriers" to competitiveness, are left behind.

⁶ European Commission 2004: 19

⁷ UNCTAD 2004: 11

⁸ Karass et al 2004

⁹ Apeldoorn 2000

¹⁰ Santer 1995

¹¹ UNCTAD 2002b: 93

¹² UNCTAD 2002b: 91

¹³ European Council 2000

¹⁴ Cf. Fritz 2004, The proposal for a directive can be found at http://www.europa.eu.int/comm/internal_market/en/services/services/index.htm

¹⁵ European Commission 2005a, see also http://europa.eu.int/growthandjobs/index_en.htm

Box 1: The largest European non-financial corporations by sales in 2005¹⁶

Rank	Name	Country	Category	Sales (in \$bill)
1	BP	UK	Oil & petrol operation	232.57
2	DaimlerChrysler	Germany	Consumer durables, automobiles	157.13
3	Royal Dutch/Shell Group	Netherlands/UK	Oil & petrol operation	133.50
4	Total	France	Oil & petrol operation	131.64
5	Carrefour	France	Retail (food markets)	96.94
6	Volkswagen Group	Germany	Consumer durables, automobiles	91.33
7	Siemens Group	Germany	Conglomerates	86.62
8	Ahold	Netherlands	Retail (food markets)	70.57
9	Peugeot Groupe	France	Consumer durables, automobiles	68.23
10	Nestlé	Switzerland	Food, drink & tobacco	64.56
11	Fiat Group	Italy	Consumer durables	58.22
12	France Telecom	France	Telecommunication services	57.99
13	Deutsche Telekom	Germany	Telecommunication services	56.40
14	Metro AG	Germany	Retail/wholesale	54.12
15	ENI	Italy	Oil & petrol operations	53.29
16	BMW	Germany	Consumer durables, automobiles	52.23
17	Unilever	Netherlands/UK	Food, drink & tobacco	50.70
18	Suez Group	France	Utilities	48.41
19	Vodafone	UK	Telecommunication services	47.99
20	RWE Group	Germany	Utilities	45.68
21	ThyssenKrupp	Germany	Materials	42.17
22	Tesco	UK	Retail (food markets)	41.48
23	Deutsche Post	Germany	Transportation	41.23
24	ENEL	Italy	Utilities	38.99
25	Renault Group	France	Consumer durables, automobiles	38.17
26	E.on	Germany	Utilities	37.95
27	Nokia	Finland	Technology hardware & equipment	37.05

EU transnational corporations and the role of the EU in the WTO negotiations

Trade policy has always been at the core of the European integration process. From 1957 until the present day, the European Union has set the guidelines for trade policy and negotiated on behalf of the EU member states. With the increasing transnationalisation of European companies and the integration of services into the WTO, the EU, as an advocate for "big business", now has much to gain from multilateral trade policy and the WTO. The largest European TNCs seek to reduce their costs through the relocation of production and offshoring, or global sourcing through cheap raw material imports. Despite some recent failures, the WTO still ranks as the first address to ensure further profits from international trade: "For European companies, the World Trade Organisation is one of the most important international organisations, which affect their activities directly."¹⁷

FROM INTER-NATIONAL TO INTRA-FIRM TRADE

Global trade relations are mostly regarded as *inter-national* relations, meaning that country A interacts with country B. This is, of course, true when describing the formal procedures of WTO negotiations, where the negotiators are national government

representatives. However, the global trade regime is increasingly dominated by the largest TNCs as the main traders and the most influential players on the world market. The share of trade involving TNCs accounted for around two-thirds of world trade in the latter half of the 1990s, including both intra-firm and third-party transactions.¹⁸ An estimated one-third of world trade consists of intra-firm trade, i.e. trade amongst the various segments of a single corporate system.¹⁹ Of the 100 largest TNCs, accounting for almost a fifth of total TNC sales, 96 are based in developed countries.²⁰ On the other end are some of the poorest developing countries, which are highly dependent on only a few TNCs that deal with their external trade. These include the Ivory Coast: 95% of all cocoa exports are bought by a few TNCs for processing by only a handful of TNCs, including Nestlé.²¹ Or consider the horticulture sector in Kenya: As the leading flower exporter to the EU - accounting for 25% of EU imports -, the horticulture sector accounts for 16% of all Kenyan exports. It is up to 90% controlled by foreign affiliates, and from breeding to distribution, is under the common governance of TNCs.²² What does this mean in real terms? If government representatives negotiate trade agreements, representatives from developed countries, such as the EU Trade Commissioner, will try to form a deal for their own TNCs. The EU is home to more than half of the largest 100 non-financial

¹⁶ Forbes 2005

¹⁷ UNICE 2005a

¹⁸ UNCTAD 1999

¹⁹ UNCTAD 2002b: 153

²⁰ UNCTAD 2005: 13ff

²¹ Ul Haque 2004: 20

²² UNCTAD 2002b: 155

corporations in the world.²³ The EU's economy is highly dependent upon exports, even more so than the US. With a share of 21% of all world exports, it also has the highest exports for both industrial goods and services.²⁴ But for their part, representatives from developing countries can only attempt to secure some policy space in order to regulate the TNC-dominated trade regime, allowing their local economy to at least benefit from knowledge transfer or other "trickle-down" effects. But even these prospects have been shattered, for a) trade agreements often limit the ability of developing countries to pursue the same sort of industrial policies that rich countries had used in order to develop (see below), and b) the terms of trade, i.e. the relation of export to import prices, is still falling, to the disadvantage of developing countries, and, finally, c) evidence has shown that "*the incidence of poverty increased unambiguously in those economies that adopted the most open trade regimes*".²⁵

Box 2: What is the WTO?

The World Trade Organisation was founded in 1995 as the successor of the General Agreement on Tariffs and Trade. The aim of the WTO is the liberalisation of world trade through the elimination of so-called trade barriers, i.e. both tariffs and non-tariff barriers (NTB) such as import quotas or domestic regulations. 148 states are members of the WTO and are thus obliged to implement the different WTO agreements. The most important WTO agreements are the General Agreement on Tariffs and Trade (GATT), which is now being dealt with in the Non-Agricultural Market Access (NAMA) negotiations, the General Agreement on Trade in Services (GATS), the Agreement on Agriculture (AoA) and finally the TRIPS Agreement (Trade-Related Intellectual Property) on patents and copyrights. A new agreement on Trade Facilitation is currently being negotiated. The Dispute Settlement Body allows the WTO to enforce its agreements. Since 2001, the current agreements have been in the process of re-negotiation in the Doha Round. After the failure of the last Ministerial Conference, as the highest decision-making body of the WTO, the 2005 Ministerial in Hong Kong might become a decisive point as to whether or not the Doha Round will end in 2006.

In the process of trade liberalisation, the function of the WTO is not only to open up further markets, but also to "lock-in" existing liberalisation (e.g. liberalisation imposed by the IMF and World Bank as well as "autonomous" liberalisation) in order to establish what could be considered as a **world business constitution**. The idea of this quasi-constitution is to strengthen the interests of business through predictable international standards at a low level and to cut back the ability of governments to regulate in the interest of development or the environment. Any measures that do not comply with the strict "pro-competitive" requirements will be eliminated in the long-term – even if these measures represent vital environmental standards or the protection of infant industries.

EXPORT INTERESTS AND MARKET ACCESS

"EU trade interests are first and foremost outward looking in nature: The EU stands to win from the further opening of markets worldwide."²⁶ The EU's priority interest in the WTO is certain: Market access. With a share of 21% of total world exports and

high growth rates only in the export markets, the EU corporations are highly dependent on market access in other regions of the world. This is the case for industrial goods, which account for 18.8% of total world exports, as well as services, considered the prime growth sector.²⁷ Within the WTO negotiations, the EU is asking for market access for its exports through drastic tariff cuts in agricultural and industrial goods and raw materials, as well as the elimination of non-tariff barriers (NTBs), e.g. export duties. In the services sector, the EU has attacked regulations such as zoning laws or ownership requirements for foreign direct investment (FDI), focusing on those service sectors that are still highly regulated or owned by the state, i.e. financial services or water distribution. Industries with a particular focus on exports include the chemical, automobile and processed food industries. EU demands for market access go hand-in-hand with the interests of the largest European transnational corporations. As the headquarters of large global production networks, it is mostly these companies that benefit from exports and cheap imports as part of their intra-firm trade and as part of global sourcing and relocation processes.²⁸ The benefits for development and the environment of such an export-oriented strategy are highly questionable. UNCTAD, for example, "questions the conventional wisdom that export growth and foreign direct investment (FDI) automatically generate commensurate income gains".²⁹ Instead, an export orientation creates dependencies on only a few powerful TNCs and their global production networks in some of the poorest countries, locking in existing trade imbalances and increasing the exploitation of natural resources – as shall be shown later in this report.

THE EU – AN OPEN ECONOMY? OR: "KICKING AWAY THE LADDER"

When it comes to opening up its own markets, the EU's position is more complex than it is for market access. On the one hand, the EU export industry asks for cheap imports and thus for open European markets. This free trade agenda is the position of the globalist fraction of the European economic elite, which became dominant during the 1990s. Trade Commissioner Mandelson encourages European corporations to use global outsourcing in order to produce upmarket products as cheaply as possible: "Europe's markets must be open to cheap supplies of intermediary goods and raw materials for European producers of value-added products. Restricting this flow of goods raises costs for European companies, making them less competitive. We need to import as to export."³⁰ Any "side effects", such as the decline of the Italian textile industry or British ceramic production, will – according to the EU – be necessary and can only be offset through some structural funds. As Mandelson puts it: "Industries that need shelter will not survive and should not be protected".³¹

²³ UNCTAD 2004: 11

²⁴ European Commission 2003

²⁵ UNCTAD 2004: 188

²⁶ European Commission 2005b: 4

²⁷ European Commission 2003: 10

²⁸ UNCTAD 2002b

²⁹ UNCTAD 2002a

³⁰ European Commission 2005b

³¹ Mandelson to business at the Market Access Symposium, 19 September 2005, European Parliament Brussels

On the other hand, the EU selectively uses a range of different measures to protect its own more vulnerable producers competing against imports. First of all, let us consider the textile industry. In 2005, after the expiry of the former GATT/WTO import quota regime, the EU protected its market through new quotas when facing a swell of cheap Chinese textile imports, especially undergarments. This so-called "bra war" was the result of a political outcry from the European textile producers, especially in Italy, who saw their industries as being under threat. Another instance of European market protection is the so-called "tariff escalation": While 90% of raw material imports enter the EU market duty-free, only a quarter of intermediary products have zero tariff lines and finally, all products for which the applied duties are above 10% are finished products.³² Such tariff escalation locks the existing global division of labour, in which developing countries provide low cost and labour-intensive raw materials, while the EU and other developed economies deal with processing and refining, thus benefiting from the export of value-added products.³³ Moreover, the agricultural sector is not only protected through tariffs, but also supported through a complex system of both domestic support as well as export subsidies. While the beneficiaries of this system – mostly the food processing industry, large-scale farmers and cooperatives (see p. 19f) – are very hesitant to give up their privileges, other European economic elites demand reform – mostly because the agricultural sector remains the major stumbling block in the WTO negotiations. Finally, the EU uses anti-dumping measures on a regular basis as a means to protect its markets from cheap imports, i.e. in steel or textiles.

Summing up, the EU uses a whole range of such protectionist measures, e.g. government support or lengthy and highly complicated anti-dumping measures, and these are unaffordable for most debt-burdened developing countries. In addition, the EU tries to deny developing countries those measures that the EU had strategically used in the past to build up its own economy. Britain, for example, a country that is supposed to have reached the summit of the world economy through its free-market and free-trade policy, is actually a country that has most aggressively used protection and subsidies.³⁴ As the economist Ha-Joon Chang puts it: "We can only conclude that the rich countries are trying to kick away the ladder that allowed them to climb to where they are. It is no coincidence that economic development has become more difficult during the last two decades, when the developed countries started turning on the pressure to the developing countries to adapt so-called 'global standard' policies and institutions."³⁵ So it should be taken for granted that tariffs and other regulatory measures are vital for economic development.



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FUTURE ISSUES: SINGAPORE REVISITED?

In 2003, the EU encountered fierce resistance by many WTO member states to its endeavours to broaden the agenda of the multilateral trade regime with the so-called Singapore issues. The EU was the most aggressive player in trying to include further agreements on investment, competition, public procurement and trade facilitation into the WTO Doha Agenda. The EU lost this battle. Only the last of the four proposed new agreements is currently under negotiation. However, DG Trade has not yet given up, and Trade Commissioner Peter Mandelson explicitly mentions investment and public procurement as the EU's future priorities.³⁶ Moreover, the EU not only pursues its market access agenda on a multilateral level but – similar to the US – strategically negotiates on the bilateral and regional level. The Economic Partnership Agreements (EPAs) with the ACP countries, mostly former European colonies and now among the poorest countries in the world, are just one example of the EU's aggressive WTO-plus trade agenda.³⁷

Summary: A business-first agenda

Competitiveness coupled with an export-orientated free trade agenda as the overall guiding principles of EU policy bring deregulation within the EU and market access outside of the EU to ensure maximum benefits for European big business. The Lisbon agenda and the EU's corporate agenda in the WTO are two sides of the coin. Via its deregulation agenda within the EU, European TNCs will be able to benefit from "flexible labour markets", i.e. lowered labour standards. Externally, the EU will pave the way for the further global TNC expansion. One of the most important instruments to pursue these "external aspects of competitiveness" is the WTO. The rise of TNCs, strengthened through the business-first idea of competitiveness, is reflected in the EU's trade agenda, with its primary aim to open new markets for the EU export-oriented TNCs. At the same time, it takes advantage of protectionist measures that it is denying its trading partners in the current round of negotiations.

³² European Commission 2005b: 12

³³ Cf. for example CIAA 2004: 12

³⁴ Chang 2002

³⁵ Chang 2002

³⁶ Mandelson 2005

³⁷ Schilder et al 2005

3. Corporate Brussels – the corporate lobbyists' invasion into EU trade policy-making

8

Lobby capital Brussels

Brussels – the capital of Europe: With its complex and often untransparent decision making processes, coupled with a lack of pan-European public debate, Brussels is an El Dorado for corporate lobbyists. An estimated 15,000 lobbyists represent interests professionally in the capital of the European Union. Of these, only about 10% work for environmental and social initiatives.³⁸ With UNICE and COPA (see below, p. 11 and 20), already having been set up during the 1950s, lobbying has been part of the European decision making process since the early days of the integration process. However, Brussels experienced a quantitative boom of lobbying parallel to the 1987 Single European Act. In 1989, Jacques Delors, President of the European Commission at the time, declared that in the future, 80% of all important framework decisions affecting economic policy in the EU area would be taken in Brussels.³⁹ Consequently, corporate lobbyists swarmed into Brussels from the mid-1980s onwards. Between 1985 and 1990, the number of Brussels lobbyists rose by a factor of four. Compared to the early 1970s, this number rose ten times. In 1990, the lobby sector grew by a rate of 100%.⁴⁰ By 1997, the number of lobbyists equalled the number of Commission officials.⁴¹ But the change in lobbying during the late 1980s and early 1990s was not only quantitative in nature. Increasing changes have also occurred in terms of quality, or the manner in which lobbying has become organised.

This chapter deals with the following questions:

- How do corporations organise their interest representation?
- What is the role and function of the different types of lobbyists?
- What role do the TNCs play in the Brussels lobby sector?

The who's who of corporate lobbying in Brussels

The agents of lobbying in Brussels are diverse. TNCs have established manifold channels to organise amongst themselves and to effectively assemble their objectives. They have not only penetrated traditional forms of business interest representation but have also increasingly set up their own direct firm lobbying groups.

Box 3: What is lobbying?

Lobbying can be defined as the representation of interests toward public officials through third party agents. These agents include representatives from certain interest groups, such as trade associations, individual corporations or environmental groups, but also commercial lobbyists, e.g. consultancies that lobby on behalf of a certain company. The term lobby was initially used to give a name to those who waited for the MPs in the lobby of Parliament to speak to them about their specific interests. Most lobbyists argue that, in a democratic and

pluralistic society, their lobbying is needed and prefer the more neutral terms "interest representation", public affairs or advocacy for their activities. But the EU decision making processes is by no means a level playing field, where each interest group can voice its interests equally and where these interests are equally taken into consideration – as is often suggested by advocates of a pluralistic or economic models of democracy. Demanding a level playing field ignores the fact that ideas (e.g. the idea of competitiveness, see p. 6), processes (e.g. privileged access, see p. 15) and power structures (e.g. revolving doors, see p. 16) are even more important than financial resources, as regards the influence of corporate lobbyists. Moreover, it needs to be questioned whether corporate lobbyists – themselves representing a part of society that is not under full democratic control and that is confined to narrow commercial interests – are at all legitimate interest representatives in a democratic society.

TRADE ASSOCIATIONS – THE CLASSIC LOBBYISTS

Trade associations enjoy high credibility within European institutions and are still an important address for decision makers. European civil servants value their representativeness, since their membership suggests that they speak with one voice for a whole sector, including small and medium sized enterprises (SMEs). Nevertheless, as Andreas Geiger from the Brussels-based office of the law firm Ernst and Young suggests, the power and influence of trade association is in decline: "*The once strong influence of associations in Europe [...] wanes in the lobbying process as the increasingly divergent interests of its members gain in weight.*"⁴² On the one hand, this is due to the emergence of powerful European TNCs with very different interests than SMEs in the same sector. On the other hand, trade associations increasingly have to compete with new types of lobbyists in Brussels, such as commercial lobbyists or direct firm groups (see p. 11f). Nevertheless, **UNICE** (see box 4, p. 11), as the umbrella organisation of national employers' federations, is still a heavyweight in Brussels. This is certainly the case for trade policy: Since WTO negotiations are highly complex and lengthy in process, many corporations prefer to leave the detailed work to their trade associations. Thus, UNICE could be considered to be one of the most important lobby groups as regards the current trade negotiations. However, according to a scholar of Brussels lobbying, in other issues, e.g. software patents, some EU officials would rather consult the new "rich firm clubs" (see below, p. 11), since UNICE needs to build on a broad consensus, thus sometimes failing to address the specifics.⁴³

The most important national trade associations are the Confederation of British Industry (**CBI**), which, unlike most other national trade associations, allows direct firm membership and keeps its membership secret, the Federation of German Industries **BDI** (Bundesverband der deutschen Industrie) and the French

³⁸ European Parliament 2003: iii

³⁹ Trieck/Ockenfels 1995, cit. Teuber 2001: 120

⁴⁰ Andersen/Eliassen 1991: 174ff, quoted by Teuber 2001: 120

⁴¹ Greenwood 1997: 80

⁴² Geiger (without year)

⁴³ European Parliament 2003

national employers' organisation **MEDEF** (Mouvement des Entreprises de France). Finally, the Confederation of Netherlands Industry and Employers (**VNO-NCW**) with the largest European port in Rotterdam and a disproportional large number of globalist TNCs (Philips, Shell, Unilever, Royal Ahold etc.) also has high stakes in the Doha negotiations. The sector-specific European trade associations range from the largest associations with more than 100 staff members, such as the chemical industry with **CEFIC** and the automotive industry with **ACEA**, to such specialised lobby groups as the Association of European Candle Manufacturers.⁴⁴

Box 4: UNICE

The Union of Industrial and Employers Confederations of Europe (UNICE), which names itself "the voice of business in Europe", is heavily involved in day-to-day policy making at the EU level. As an umbrella organisation, UNICE produces vast numbers of press releases and detailed position papers. UNICE was founded in 1958 after the Treaty of Rome was signed. First set up by the French industry as a counterpart to the High Authority (today's Commission), it now maintains close ties and good contact with the Commission. With the rise of transnational firms in Brussels, UNICE has undergone a transformation process. Under great pressure from large British companies jointly with the CBI, UNICE transformed from a rather protectionist organisation into a more proactive lobby group with a clear stance in favour of liberalisation. By placing large transnational corporations in UNICE policy committees and working groups, UNICE now represents the interests of the globalist transnational corporations in line with the Commission. In the current round of WTO trade negotiations, it is once again evident that UNICE clearly favours liberalisation in all the areas discussed.

WTO issues are dealt with in the working group on international trade which includes a WTO unit. The WTO unit's subgroups are chaired by representatives from national trade associations, sector specific trade associations such as CEFIC and finally representatives and in-house lobbyists from Unilever, Philips and Thales in their functions as representatives of national federations. The WTO unit regularly meets with high level DG Trade officials to receive an update on the current negotiations and to exchange their views. UNICE's WTO work seems to be very efficient. Already in September, their fact sheets on Hong Kong were on their website and they organise several lobbying missions to Geneva a year. The last mission to Geneva before Hong Kong will have a focus on NAMA.⁴⁵

IN-HOUSE LOBBYISTS, CEO GROUPS AND AD-HOC ORGANISATIONS: DIRECT BUSINESS INVOLVEMENT

When there is a certain issue that – from some companies' perspective – needs to be tackled immediately without cumbersome decision making processes, or when corporations want to influence the long-term goals of the European Union, trade associations might not be the right means to do so. Companies retreat to their own so-called in-house lobbyists, set up their own ad-hoc organisations or organise amongst themselves in CEO or direct firm organisations.

In-house lobbyists, meaning lobbyists that only work on behalf of one specific company for which they are employed, are a more recent phenomenon in Brussels. But companies such as Tesco, BASF or Metro, even though maintaining lobby representations in Brussels, still channel their positions on trade policy through their respective trade associations.

A prime example of a **CEO organisation** on a European level is certainly the European Roundtable of Industrialists, the ERT (see below). It represents the interests of the largest – mainly industrial - European TNCs. Other examples of such conglomerations are the European Retail Round Table, the European Information Technology Industry Round Table and the European Financial Round Table. Mostly service companies, such as those in the IT sector, are very much involved in setting up **ad-hoc lobby groups**. The International Communications Round Table (ICRT) and the Business Software Alliance, for example, actively influence the debate over intellectual property protection. The global Trade Facilitation Alliance, set up mainly by lobby associations for the world's largest logistic companies, such as UPS and DHL, tries to set the agenda in the trade facilitation negotiations. Additionally, many trade associations – especially highly concentrated and globalised sectors - have opened their membership to individual members, thus allowing companies to become directly involved without the intermediary of their national trade association. CEFIC, EICTA and ACEA, for example, have developed into "**mixed" organisations** representing both national associations and individual corporations – with an explicit bias towards the interests of the corporations, as can be seen from their organisational structure.

Box 5: The European Round Table of Industrialists

"I would consider the Round Table to be more than a lobby group as it helps to shape policies. The Round Table's relationship with Brussels is one of strong co-operation. It is a dialogue which often begins at a very early stage in the development of policies and directives," is how Wisse Dekker, ERT Chairman 1988-1992, describes the role of the ERT.⁴⁶ The dinosaur and intellectual vanguard among the European lobby groups is the European Round Table of Industrialists (ERT). Founded in 1983 as a "private circle of 17 European industrialists"⁴⁷, it soon began to play an important role in pressuring for the completion of GATT's Uruguay Round and in lobbying towards a European single market. The ERT has also been the principle driving force behind introducing the concept of "competitiveness" as the highest goal in European policy-making. With a limited number of members, its character as a private gathering remains, although working structures have been formalised and ERT has become an acknowledged partner in European policy-making. In this position, ERT enjoys a threefold advantage: Firstly, the members are personal members and thus strictly represent their own interests. They are not "corseted" by different stakeholders whom they have to represent, as trade associations generally are. Secondly, ERT members are strictly CEOs of Europe's largest transnational corporations. Membership is by invitation only. About half of the ERT members are CEOs of corporations from among the world's 100 largest.⁴⁸ Peter Sutherland, Head of BP, ERT member and former European Commissioner for Enterprise: "So, by definition, each member of the ERT has access at the highest level of government".⁴⁹ Thirdly, a non-involvement in day-to-day policy-making allows ERT to focus on strategy and to set the agenda over the mid- and longer terms. ERT's involvement in the Doha trade negotiations had been very limited until recently. In early September 2005, the ERT published an extensive position paper jointly with their counterparts in the US, Japan, Canada and Australia but also with Mexico: "Today's statement is the first in a series of coordinated activities by the six business organisations in the run-up to the Sixth WTO Ministerial Conference in Hong Kong in December 2005."⁵⁰

⁴⁴ Many sectors also have national lobby offices, such as the influential German chemical industry with the VCI (Verband der Chemischen Industrie), but these as well as other national lobby groups will not be dealt with in this paper.

⁴⁵ UNICE 2005a

⁴⁶ Apeldoorn 2002: 195

⁴⁷ ERT 2005

⁴⁸ Apeldoorn 2002

⁴⁹ cit. Apeldoorn 2002, p. 198

⁵⁰ Business Council of Australia et al 2005

COMMERCIAL LOBBYISTS – PR AND PA, CONSULTANCIES AND LAW FIRMS

Public relations and public affairs agencies or consultancies offer lobbying services on a commercial basis. Their services usually combine both direct lobbying activities, such as government relations, with indirect lobbying services, which include corporate positioning or corporate communication. While PR focuses on the image of the client and closely relates to advertising, public affairs deals mainly with a companies' interaction with public officials (see box 6). Most Brussels agencies offer both PR and PA services. According to Brussels-based lobbyists, in the area of trade policy, consultancies are normally used by companies for very specific problems, such as targeting a specific tariff line or a specific legislation for a future market. The influencing of actual trade negotiations is mostly left to the respective sectorial trade associations or UNICE.⁵¹ Nevertheless, when the WTO negotiations were in a deep crisis after the failure of the 1999 Seattle Ministerial, PR agencies became active in countering NGOs and social movements.⁵² The International Federation of Pharmaceutical Manufacturers' Associations (IFPMA), for example, sought advice from APCO, a large international PA agency, when the pharmaceuticals lobby came under pressure in the run-up to the Doha round of WTO negotiations in 2001.⁵³ Other PR/PA consultancies that offer services in the area of trade policy include the large American companies **Hill&Knowlton**, **Burson-Marsteller**, **Weber-Shandwick**, **Fleishman-Hillard** and the new rising star in the Brussels lobbying scene, **Gplus Europe**, which has two former commission staff members among their staff and only recently "managed an extensive public affairs campaign on various aspects of the industrial market access discussions in the latest Doha Round of WTO negotiations".⁵⁴

Apart from PA/PR consultants, the past few years have seen a growing involvement of **law firms** in the lobbying business. In the area of trade policy, law firms mostly deal with anti-dumping measures, trade disputes and customs legislation. While the main role of law firms is to shape European law by challenging and interpreting it, some also offer lobbying services. Lawyers as lobbyists have one big advantage. They provide the legal expertise that is indispensable in legislative processes, and in most EU countries, these are also subject to special duties under criminal law and professional ethics.⁵⁵ The involvement of law firms in the lobbying process therefore allows industrial companies to participate in the political process – without being accused of doing something which is potentially illegal or immoral. Some influential law firms in trade policy are **Hammonds**, **White&Case**, **Wilmer Cutler Pickering Hale and Dorr**, which employs a former chairman of the WTO Appellate Body, and finally, **Herbert**

Smith, which according to legal.500.com, has "built up a reputation for taking on the biggest and most powerful organisations in the world, such as representing Chiquita Brands International on a €564m damages suit against the European Commission."⁵⁶ Herbert Smith, with former trade commissioner Leon Brittan on board (see box 8, p. 16), is also a member of the European Services Forum (see below, p. 27), thus is itself lobbying for trade liberalisation in the services sector.

Box 6: Lobby strategies

Public affairs: influencing public officials by monitoring decision making processes, the setting of agendas within the EU institutions, position papers and meetings with key decision makers; low-profile approach mostly used by trade associations

Public relations: influencing public opinion through public campaigns, setting up front groups, i.e. NGO-type groups that hide their commercial interests, educational publications or websites, profile raising, crisis management; high-profile approach, used e.g. by the pharmaceuticals lobby, which is known for setting up "patients' groups"⁵⁷, or by RWE/Thames Water, which employed APCO to polish its tarnished image through regular charity duck races on the River Thames.⁵⁸

OTHER LOBBYISTS

And that is not all. A wide range of other types of lobbyists can be found in Brussels. **National, regional or city representations** lobby for the interests of a certain area, mostly supporting business interests. Similarly, national **chambers of commerce** represent the interests of the national industry. Last but not least, Brussels corporate lobbyists are highly interlinked with some neo-liberal **European think tanks**, such as the European Policy Centre (EPC) and the Friends of Europe – to name just two that are important players in the WTO context.⁵⁹

Box 7: The role of US business in the EU

With the surge of US foreign direct investment in Europe in the aftermath of the EEC's creation, many US companies decided to set up headquarters in the European capital. US firms led the professionalisation of lobbying business in Brussels. Today, US firms are well organised in the **EU Committee of the American Chamber of Commerce (AmCham EU)**, which describes itself as "the voice of companies of American parentage committed to Europe". AmCham EU was founded after the Commission developed its "multinationals programme" in 1973, which sought to place some controls over the burgeoning activities of multinational firms – namely, American firms – in Europe. Since most national industry associations did not allow American firms in their membership rosters, their interests could not be represented through UNICE. As one of the first direct firm associations in Brussels, the AmCham EU has developed a reputation as being one of the most powerful business voices in Brussels.⁶⁰

⁵¹ All quotes or references to individual Brussels lobbyists without an explicit reference or source are based on personal interviews in Brussels in July and September 2005 which were held for the author's PhD thesis.

⁵² Hoedeman 2001

⁵³ www.apcoworldwide.com/content/case-studies/ifpma.cfm

⁵⁴ www.gplus-europe.com/ourteam/whitaker.asp

⁵⁵ Geiger (without year)

⁵⁶ Legal500.com 2005

⁵⁷ HAI 2005

⁵⁸ http://www.apcoworldwide.com/content/case-studies/thames_water.cfm

⁵⁹ These types of lobbyists will not be dealt with in this paper. However, this does not deny their importance in shaping the EU's trade agenda.

⁶⁰ Cowles 2002: 68



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US and EU corporations coordinate their activities in the **Transatlantic Business Dialogue (TABD)**, a US-EU business platform founded in 1995 on the initiative of leading figures in the European Commission and the US Administration to foster free trade between the US and the EU. Leon Brittan, EU Trade Commissioner at that time: "We and the American government (...) asked businessmen from both sides of the Atlantic to get together and see if they could reach agreement on what needed be done next. [...] European and American business leaders united in demanding more and faster trade liberalisation. And that had an immediate impact."⁶¹ A researcher on Brussels lobbying describes the criteria for membership: "It requires that the CEO is pro-liberalisation and trade, represents a transatlantic company and is deemed constructive to the policy process."⁶² Where agreement can be reached, European and American governments are likely to incorporate many of the recommendations in policy documents and so avoid complex intergovernmental negotiations at the WTO level.⁶³ In the summer of 2004, the TABD came up with suggestions for a transatlantic free trade area. Additionally, the TABD has coined a new term for transatlantic cooperation in promoting the step-by-step removal of "trade barriers", including differences in environmental and health regulations as well as preventing new ones from arising: "regulatory convergence".

Summary: TNCs – economic power coupled with political influence

With the rise of European TNCs since the late 1980s, the traditional lobbying structures in Brussels have changed. Once the European TNCs had gained economic power, they also started organising their own lobbying activities. This occurred both through the use of in-house lobbyists and commercial lobbyists from public affairs agencies or law firms, but mainly by setting up direct firm organisations and raising their profile within the existing trade associations. Consequently, "classic" trade associations now have to share the lobby market with various new lobby groups and have themselves been changed into mixed organisations, with both national associations and individual companies among their members. Thus, the Brussels lobby scene – though it has always acted in the interest of business – now reflects the rise of the largest European TNCs. For this reason, the TNCs have been able to complement their economic power with political influence.

⁶¹ Cit. CEO 1999

⁶² European Parliament 2003: 12

⁶³ Ibid.

4. Teamwork and privileged access – the decision making process

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Who lobbies whom?

The process of lobbying involves two parties: those who lobby and those who are being lobbied. In Brussels, the addressees of lobbying are not always easy to pin down, since the decision making process is very complex and – strikingly enough – it is sometimes hard to tell who lobbies whom. The Commission has repeatedly complained about the lack of engagement by business and eagerly encourages business to make its case to the WTO negotiations. As Lamy puts it: “*Trade policy is not an abstract concept. It is a policy designed to create more opportunities for the businessmen of Europe to invest in and export to third country markets. The Commission will only be effective in negotiating the best possible trade policy if the businessmen of Europe tell the Commission what they want.*”⁶⁴ One could almost say that the Commission lobbies the lobbyists to lobby them. The larger picture shows that a fraction of the European transnational elite – both trade officials and corporate lobbyists from the largest TNCs – are strong supporters of the Doha WTO negotiations. This makes the European civil servants in DG Trade easy to lobby, because they do not need to be convinced to pursue a corporate agenda – all they normally need is good cooperation and advice. As one upper level Brussels lobbyist reports: “*There is a broad political consensus, we share a common interest.*”

This chapter deals with the following questions:

- How has a changing EU decision making process influenced lobbying?
- What are the strategies of the EU to consult lobby groups?
- How does the Commission deal with its critics?

Complex and untransparent – trade policy making and decision making processes in the EU

THE FORMAL PROCEDURE

Trade policy was one of the first issues that the members of the EEC (now: EU) handed over to the High Authority (now: Commission) in 1957. Since then, they have continued to hand over competencies to the European Union. With the 2001 Treaty of Nice, nearly all the measures dealt with in WTO negotiations are now strictly in the realm of the EU. The exceptions – at least partially – are health, cultural diversity and education. With the now stalled proposal for a European constitution, even more decision making authority has been handed over at the EU level. What does this mean in practice?

The EU has a **common trade policy** (“**Common Commercial Policy**”). In other words, where trade, including WTO matters, is concerned, the EU functions as a single actor. The **European Commission** negotiates trade agreements and represents the

European interests on behalf of the Union’s 25 Member States. Within the WTO negotiations, when the EU Trade Commissioner raises his hand (which in practice virtually never happens), it counts as 25 voices. Speaking for 25 member states simultaneously is a special role which endows the EU with additional power. The European Commissioner for Trade is the head of the European delegation to the WTO. Following Sir Leon Brittan from the UK and Pascal Lamy from France, the job is now in the hands of **Peter Mandelson**, the architect of New Labour and formerly Tony Blair’s spin doctor. The civil servants of the **Directorate General for Trade (DG Trade)**, headed by Mogens Peter Carl from Denmark, deal with the day-to-day work of the European trade policy, i.e. drafting submissions – and consulting business.

The legal basis for the EU’s trade policy is Article 133 of the European Community Treaty. On this basis, the Commission negotiates on behalf of the Member States, in consultation with a special advisory committee, the “**Article 133 Committee**”. While the role of the Committee is formally consultative, the assistance it provides to the Commission forms the core of EU decision making on trade. The Commission usually follows its advice. Only the major formal decisions (for example, the agreement to launch or conclude negotiations) are then confirmed by the **Council of Ministers**. The Committee 133 meets on a weekly basis, usually on a Friday in Brussels at the headquarters of the Council of Ministers. The full members meet on a monthly basis. They are often senior civil servants drawn from all 25 members states, usually from national ministries of trade, foreign affairs or finance plus some Commission representatives.⁶⁵ These representatives are not democratically elected but simply appointed by the Member States. Due to the status of the Article 133 Committee as an advisory body, no formal votes are recorded and its deliberations are not published.⁶⁶ The European Community Treaty grants a very limited role to the **European Parliament (EP)** in terms of trade policy. According to the current treaty, the “assent” of the EP may be required for major treaty ratifications, when these cover more than trade. Essentially, this means that the Parliament has no formal say in the current trade negotiations. However, the Commission consults and informs the Parliament through the **Committee on International Trade**.

DG Trade sums up EU policy-making in the current WTO round as follows: “*The Commission sets and carries forward the priorities and aims of the EU as laid down in guidelines given by the Council of Ministers [the so-called “**mandate**”]. Officials from the Commission’s Directorate General for Trade, under the authority of the Commissioner, are charged with actually conducting the negotiations, and speak on behalf of the EU as a whole. Coordination with Member States is assured at all times through the 133 Committee, while the Commission regularly informs the Parliament. At the end of the Round, the Council has to agree*

⁶⁴ Lamy 2002

⁶⁵ Members of the Committee 133, the INTA Committee and the Council of General Affairs can be viewed on the Seattle to Brussels website: <http://www.s2bnetwork.org/index.jsp?id=15&random=r566897263284773>.

⁶⁶ Klasing 2003:7, DG Trade 2005



formally on the outcome.⁶⁷ While this is correct in describing trade policy making as laid out in the Treaty of the European Communities, it neglects the interests and the conflicts behind this formal process.

THE POWER STRUCTURE BETWEEN THE EU INSTITUTIONS AND THE TARGETS OF LOBBYING

Interests turn to where the power lies. So the targets of lobbying reflect the power structure within the EU trade policy making process. With the denationalisation of the European decision making process in trade policy, the European Commission gained relevance and political power. Consequently, lobby groups now focus more on the European Commission and the Directorate General for Trade rather than on their national governments. This is a new development, since as recently as in the 1970s, the Community's unanimous voting system meant that there was little incentive for trade associations to develop stronger supranational institutions in Brussels. Associations could simply follow the "national route" by encouraging their national government to veto legislative proposals not to their liking.⁶⁸

The Council of Ministers likes to present itself as being uninfluenced by lobbyists. In reality, however, according to the EP, over 100 Council working groups (and their many – often young – officials) represent a key target for the lobbyists.⁶⁹ In the area of trade policy, the Committee 133 is even more important than the Council, since it is here that most issues are dealt with and agree-

ment is reached with the Member States. European trade associations normally leave lobbying on a national level to their member associations. The European Parliament is gaining influence in Brussels. Nevertheless, in trade policy, it is still a relatively low target for corporate lobbyists.

Just a phone call away: cooperation between the Commission and the corporate lobbyists

"They are sort of a guidance for us" – this is how a civil servant from DG Trade describes the role of corporate lobbyists in his work. The cooperation between corporations and officials at DG Trade runs very smoothly. EU trade officials are known for personally contacting business representatives and their lobbyists on a regular basis and have close personal ties with them (see box 8, p. 16). A survey by Burson-Marsteller on the impacts of lobbying into the decision making process finds that among senior Commission officials, "*industry representation is seen as a fairly significant factor, and is particularly important in areas such as trade*".⁷⁰

EASY ACCESS FOR CORPORATE LOBBYISTS

When questioned about their relationship with the European Commission, most lobbyists automatically respond: "They are very open." Or more specifically, an influential Brussels lobbyist answered: "We do have good cooperation, we speak to them nearly everyday, either on the phone, in their offices or they come here. Yes, we have good contacts." Both UNICE and the European Services Forum (ESF, see p. 27) maintain close contacts with the Commission. While the Commission's meetings remain closed to lobbyists, there are many formal and informal meetings between representatives from UNICE or the ESF and Commission officials or members of the Committee 133. Minutes from ESF meetings and e-mails obtained by the Corporate Europe Observatory reveal that at each ESF meeting, a DG Trade representative reports about the ongoing negotiations.⁷¹

Corporate lobbyists are closely involved in drafting EU documents: "When the new requests are being drafted, we receive a phone call from DG Trade asking us what our priorities are." Also, e-mails between DG Trade and the ESF reveal that correspondence between DG Trade and trade lobbyists has been profuse. During the drafting of the EU requests in the services sector, DG Trade officials often sent e-mails to ESF lobbyists and individual European services companies: "Without ESF input, the exercise risks becoming a purely intellectual one."⁷² Erika Mann, a German Social Democratic MEP, who cooperates closely with Peter Mandelson and DG Trade officials as a member of the INTA-Committee (International Trade Committee of the European Parliament), addressing business representatives: "I hope you will come early, make your case – don't come when it's too late."⁷³

⁶⁷ DG Trade 2005

⁶⁸ Cowles 2002: 66

⁶⁹ European Parliament 2003: 8

⁷⁰ Burson-Marsteller 2003: 5

⁷¹ CEO 2005

⁷² European Commission 2001

⁷³ Erika Mann speaking to business at the Market Access Symposium, 19 September 2005, European Parliament, Brussels

Consequently, corporate lobbyists are not only welcome to the DG Trade, often, they are even requested to come.

**Box 8: The transnational economic elite:
The “best of” revolving doors**

Close personal contacts are one of the most important “resources” in Brussels – as often stated by corporate lobbyists and how-to lobby advisory manuals. Many Brussels Public Affairs agencies have elaborate biographies of their staff members on their websites and pride themselves on their inside knowledge of the EU institutions. A closer look into the biographies of both EU public officials and corporate lobbyists reveals two things: Some universities and their alumni network are hubs for lobbyists, i.e. the London School of Economics (LSE), the Ecole nationale d’administration in Paris (ENA) and – particularly tailored for a career in Brussels with courses on lobbying taught by Brussels corporate lobbyist – the College of Europe in Bruges. They also reveal some serious issues of revolving doors:

Leon Brittan, now: consultant with Herbert Smith, Vice Chairman of the investment bank UBS Warburg, Advisory Director at Unilever, Chairman of the high level LOTIS Group of International Financial Services London (IFSL), **formerly:** European Trade Commissioner.

Peter Sutherland, now: Chairman of BP (since 1997), Chairman of Goldman Sachs International (since 1995), Member of the Board of The Royal Bank of Scotland Group, ERT member. He is associated with the following organisations, among others: World Economic Forum (Founding Board Member), Consultative Board of the Director General of the WTO (Chairman), the Trilateral Commission (European Chairman); **formerly:** founding Director General of the WTO (1995), Director General of GATT (1993-1994), Member of the Commission of the European Communities in charge of Competition Policy (1984-1989).

Neelie Kroes, now: European Commissioner for Competition (since 2004), **formerly:** his business activities include memberships on 38 business advisory boards, supervisory boards and business advisory groups, including many transportation-related companies such as Dutch Railways and Royal P&O, after having served as Advisor to the European Transport Commissioner and as Cabinet Minister of Transport, Public Works and Telecommunications in the Dutch government. Other companies in which Kroes was active include Thales, Volvo, McDonald’s and PriceWaterhouseCoopers.

Martin Bangemann, now: Member of the Board of Telefónica (since 1999), **formerly:** European Commissioner for the Internal Market (1989-1993), European Commissioner for Industrial Policies, Information Technologies and Telecommunication (1993-1999).

Etienne Davignon, now: since 2003, Etienne Davignon has served as Vice Chairman of Suez-Tractebel, **formerly:** Vice President of the Commission, ERT member, participant of the Trilateral Commission, Chairperson Bilderberg,

five Member State representatives, two MEPs, 16 business representatives and only two trade unionists. This is not unusual, since the so-called **comitology**, i.e. the setting up of committees, is at the heart of the decision making process in Brussels. The EU trade agenda is already overburdened, so – and this is how many civil servants of DG Trade describe their position - they can't deal with all aspects of trade policy on their own. Their solution is to "insource" experts from outside representing larger interest groups who are brought together into expert committees. As reported by an insider on the Brussels lobby scene: "*There are, at estimate, about 1,800 of such committees with 80,000 experts in all, coming fifty-fifty from domestic governments [...] and private organisations (two-thirds profit-oriented and one-third NGO).*"⁷⁴ This practice dates back to the Santer-Commission when larger business alliances were gradually invited to participate in think-tank style policy forums such as the Competitiveness Advisory Group, strongly dominated by the ERT, or the Bangemann forum on competition and competitiveness.⁷⁵ The European Parliament reports: "*The creation of these new forums suggested the development of an inner core of policy-makers and the institutionalisation of big-business in the EU policy progress.*"⁷⁶

Additionally, DG Trade holds an annual "**Market Access Symposium**", inviting businessmen and corporate lobbyists from all over Europe. Although this is not a lobby group as such, it serves a similar purpose. DG Trade brings the important corporate lobbyists together, ranging from company representatives to law firm lobbyists, presents its work and humbly asks for any suggestions for improvement. The Symposium was introduced by Leon Brittan in 2000 as part of his agenda to get business involved in EU policy making. In 2005, a rather bossy business audience confronted a very loyal Peter Mandelson and Manuel Barosso as key note speakers. The political relevance of the event is underlined by the fact that "*the results of the discussion [in the working group on external aspects of competitiveness] will feed into the work towards a possible Communication of the European Commission on External Aspects of Competitiveness, foreseen for 2006.*"⁷⁷ Among the panellists were representatives from UNICE, TABD, ACEA, CEFIC, EFPIA and Siemens.

SETTING UP LOBBY GROUPS AND CORPORATE “ADVISORY GROUPS”

The European Commission has a history of setting up its own lobby groups. Etienne Davignon, Vice President of the European Commission, helped to set up the ERT in 1983. Similarly, former Trade Commissioner Leon Brittan initiated the founding of the ESF, the successor organisation to previous services lobby groups that had also been set up by the European Commission. More recently, DG Trade set up the High Level Working Group on Textiles, an advisory board composed of three commissioners,



⁷⁴ Schendelen 2003: 303

⁷⁵ Balanyá et al 2000

⁷⁶ European Parliament 2003: 12

⁷⁷ European Commission 2005d

Box 9: "The humble country doctor":

Market Access Database and Trade Barriers Regulation: or deregulation in practice

At the 2005 Market Access Symposium, when Matthew Baldwin and Jean-François Brakeland from the DG Trade's Market Access Unit presented the Market Access Database and explained the advantages of the Trade Barriers Regulation, they showed great humility towards the approximately 300 businessmen present: "We are your humble country doctor: We are here to cure your problems." Both the Market Access Database and the Trade Barriers Regulations are tools to "serve EU exporters through practical operational measures", to keep record of existing "obstacles to trade in goods and services" and finally, to basically help EU exporters to get rid of any regulations abroad, which might possibly fall under WTO or other trade and investment agreements. The Market Access Database is part of the EU's Market Access Strategy, launched in 1996, which according to the EU, has become "one of the pillars of European trade policy". Complementing the current trade negotiations, it serves EU exporters with extensive information on "market access barriers" and helps DG Trade to identify the more practical side of existing trade regulations – and to serve the interests of European TNCs.⁷⁸

When corporations bring any such regulations to the attention of the Commission, "their elimination may be pursued through the most appropriate means". For this purpose, the EU has set up a mechanism, the Trade Barriers Regulation, which deals with any company complaints and will subsequently find measures to address the issue – be it the WTO dispute settlement, WTO accession negotiations and the current Doha round, the negotiation of new bilateral agreements, or simply diplomatic pressure. The North American Free Trade Agreement (NAFTA) includes the possibility for investors to directly sue the state in which they encounter "investment barriers". While this investor-to-state measure is not part of the WTO, the EU has set up its own mechanism to allow the "humble doctor EU" to cure the problems of its "patients", the transnational corporations, as swiftly as possible.⁷⁹

Interactions with the critics, or: Pleasing the critics

After the twin failures of WTO Ministerials in Seattle and Cancún, some efforts were made by the free trade proponents to counter public campaigns against the WTO. To this end, corporations started to engage PR agencies to polish up their image.⁸⁰ The WTO and the EU acted accordingly. After the Seattle debacle and the heating up of the international campaign against the GATS, the WTO produced some glossy publications which stated its case for trade liberalisation and warned against the "scare stories" told by the "NGOs".⁸¹ In the EU, the ESF tried hard to bring its message across that GATS campaigners were "false" in saying that the GATS threatens public services. It also praised the flexibility of the GATS negotiating model. Leon Brittan encouraged corporate lobbyists to take on the debate: "*The business voice must make itself heard above the noise being generated from other sources threatening the ongoing health of the system. [...] It is tempting to dismiss [the NGOs] as misguided and leave it at*

that. But the more responsible and serious minded of those organisations have staked a claim in the international debate and we cannot afford to ignore them. What we have to do is to take the debate on and win it.".⁸² Pascal Lamy launched some brochures and a "counter offensive" to confront the public campaign against the GATS.⁸³ Additionally, Lamy urged business to make its case with the broader public: "*You [the business community] can no longer limit your lobbying to trade officials, but have to reach out to parliaments, trade unions and NGOs, all of which now take an active interest in trade policy and in business activities in this respect.*".⁸⁴

A different strategy of interacting with the critics is to change and adapt the **rhetoric**. Before the WTO had entered into the lime-light, the way the proponents of the WTO spoke about trade liberalisation and the beneficiaries was clear cut, e.g.: "*The GATS is first and foremost an instrument for the benefit of business.*".⁸⁵ After Seattle and Cancún, now that the critics and opponents of the WTO are regarded as a threat to the current trade round, EU officials have become more careful and created some key legitimising rhetoric (see box).

Box 10: Jargon-buster – the EU's legitimising WTO-speak

"Development round": The labelling of the current trade round as the Doha Development Round is the prime example of empty but pleasant-sounding rhetoric. The EU no longer speaks about trade liberalisation without mentioning development, thus legitimising its interests

"Balanced outcome": This is an attempt at hiding the striking imbalances of the EU's aggressive market access interests. "Balanced" sounds nice, but in truth it stands for an aggressive give-or-lose-out agenda.

"Multilateralism": The EU tries to portray itself as the multilateral superpower as opposed to the bilateral US. But the EU also pursues an aggressive bilateral trade agenda, e.g. through EPA negotiations.

At the same time, the WTO increased its transparency through an extensive website and produced educational tools. The EU reacted with the creation of the "Harnessing Globalisation" web forum and the so-called **Civil Society Dialogue**. The underlying assumption is simple: If both business lobbyists and NGOs have their say in these meetings, the EU has created a level playing field. Thus, not only globalisation will be "harnessed" but also the critics. The EU Civil Society Dialogues do not provide much more information that goes beyond what is published on DG Trade websites. Peter Mandelson has cancelled his participation in these meetings several times. Mostly, the lower level DG Trade representatives present are not very well informed about those units which are not their own. And even Lamy rightly states that "*transparency [...] is easy to achieve in form, but less easy to ensure in reality.*".⁸⁶

⁷⁸ http://europa.eu.int/comm/trade/issues/respectrules/tbr/index_en.htm, for the Market Access Database, cf. <http://mkaccdb.eu.int/mkaccdb2/indexPubli.htm>

⁷⁹ Ibid.

⁸⁰ Hoedeman 2000

⁸¹ WTO 2001

⁸² Brittan 2001

⁸³ European Commission 2004: 38

⁸⁴ Lamy 2002

⁸⁵ European Commission 1998

⁸⁶ European Commission 2004: 24

Finally, critics of the current WTO negotiations have continuously asked for independent impact assessments of trade liberalisation. The EU launched the first **Sustainability Impact Assessments (SIA)** in 1999. What appears on first sight to be a good initiative, is actually highly questionable. So far, these studies have been limited in analytical scope, and the results have had no effective impact on the EU's trade policy making. The current methodology has shown a clear bias towards liberalisation. The inability to provide a comprehensive assessment of the combined economic, social and environmental impacts – until

now, treated in clinical isolation – has probably resulted in an underestimation of the truthful impacts of the negotiations. Moreover, SIAs have failed to become an integral part of EU policy making, despite their objective of informing negotiators. Finally, the evolution of some SIAs reveals an obvious corporate bias. The SIA on distribution relies to a large extent on input from the retailers' lobby group Eurocommerce and was co-written by Julian Arkell (see box 19, p. 27), who is known to be fierce supporter of the GATS negotiations.

Box 11: Striving for transparency and lobbying regulations: ALTER-EU

In Brussels, there are hardly any regulations on lobbying. This becomes obvious when comparing the EU with the US and Canada, where lobbying disclosure legislation obliges firms and organisations that have a lobbying budget over a set amount to submit regular reports, targeting public institutions. These reports are available online and include the issues that the organisations are lobbying on, for whom, and with what budget. Without a radical improvement in terms of registration and reporting obligations for lobbyists at the European institutions, there will be no effective democratic scrutiny of corporate influence over EU policy making.

*This is why the **Alliance for Lobbying Transparency and Ethics Regulations in the European Union (ALTER-EU)**, supported by more than 140 European organisations, has recently launched a new campaign to introduce such measures in Brussels. ALTER-EU strives for an EU lobbying disclosure legislation and an improved code of conduct for European Commission officials.⁸⁷ "While this would be far from sufficient to curb excessive corporate power, such transparency would enable parliamentarians to know who is lobbying them, help the media to increase their scrutiny of corporate lobbying campaigns, and provide civil society with a potent tool for counter-campaigning", writes Erik Wesselius from the corporate lobbyist watchdog Corporate Europe Observatory (CEO), one of the founders of ALTER-EU.⁸⁸*

At about the same time as the first initiatives to found ALTER-EU had been taken, EU-Commissioner Siim Kallas, responsible for Administrative Affairs, Audit and Anti-Fraud, started the so-called European Transparency Initiative (ETI). The Transparency Initiative

seeks to shed light on EU lobbying and to increase transparency in EU funding. It is still open whether it will encompass mandatory lobbying regulations. But the stance of CEO and ALTER-EU is clear: "Only obligatory transparency would enable citizens to better monitor who is trying to influence whom in Brussels. This would increase the likelihood of citizens actively engaging to counter the current dominance of corporate players".⁸⁹



Summary: A broad consensus

Various factors make Brussels an El Dorado for corporate lobbyists. Untransparent and complex decision-making structures, highly influential advisory groups and – most of all – the openness of the European Commission all offer corporate lobbyists access to the highest levels of EU policy-making. This privileged access is based on broad consensus among lobbyists and public officials that trade policy should "first and foremost" be made for business. Lobbying can thus be characterised as a matter of cooperation and teamwork, coupled with privileged access, leaving out those who are outside this consensus and consider human rights as the primary aim of trade policy.

⁸⁷ www.alter-eu.org

⁸⁸ Wesselius 2005: 17

⁸⁹ Ibid.: 18

5. Agriculture, goods and services: Corporations contra development and the environment

Three issues are at the forefront of the current round of WTO negotiations: agriculture, industrial goods and raw materials, and services. In all three areas, some European TNCs are amongst the largest global competitors. These companies are influential players in Brussels and closely involved in formulating the EU's trade agenda. A closer analysis of the agendas of the European Commission and the corporate lobbyists reveals some striking similarities. Moreover, the impact of the EU corporate trade agenda on development and the environment is highly problematic.

This chapter deals with the following questions:

- ▷ What is the role of lobby groups in the agricultural, industrial and services sector?
- ▷ In what way does the position of these lobby groups correspond with the European Commission's position?
- ▷ What is the impact of the TNC involvement in these different sectors?

Agriculture – the European corporate food regime

Although extremely important for food security in Europe, the agricultural sector in the EU only accounts for 2% of the GDP and about 5% of employment. It is the sector with the highest loss in economic importance in terms of GDP during the last decades. Yet agriculture has been the stumbling block in WTO negotiations for decades. There are some good reasons for this. Firstly, a functioning agricultural sector is of vital importance to maintaining food security. Besides this, in developing countries, an average of more than half of the population, i.e. more than 1.3 billion people, live from agriculture.⁹⁰ Thus, agriculture is the sector where the world's poorest in developing countries have either much to win from a fair trade regime – or much to lose. Secondly, and this is where the European TNCs come into play, agriculture is not just about farming. Farmers are dependent on both upstream firms, such as the chemical industry, which provides the pesticides, and even more so on the downstream economy, which deals with processing, trading and selling agricultural products, i.e. food processors, trading companies and retailers. These agribusiness TNCs are to a large extent concentrated in the hands of a few global operators (see box 12, p. 20). Highly influential European corporations in the agricultural sector include the chemical corporation **Bayer**, the food processing giants **Unilever**, **Nestlé** and **Danone**, and the retail sector's **Carrefour**, **Metro**, **Ahold** and **Tesco**.

These agribusiness corporations also play a role in the WTO Agreement on Agriculture (AoA). The first draft of the AoA was written by Dan Amstutz, who after serving on the US government, returned to his job with Cargill, the largest global grain trading TNC.⁹¹ Thus, it is no surprise that the beneficiaries of the WTO Agreement on Agriculture are the agribusiness TNCs:

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1. **Accelerating the process of concentration:** By further opening up markets, the WTO agricultural agreement allows TNCs to grow further, thus increasing the process of concentration on the food chain and raising the TNCs' market power. Free competition is likely to provide the greatest benefits to northern TNCs, as they are better equipped than local firms to take advantage of market opportunities.⁹² Many analysts have shown that increasing levels of concentration in the food sector will squeeze out poorer producers (see box 22, p. 30).⁹³ *"They are not bothered about receiving milk from those who sell little, they want those who produce a lot more to reduce their number of suppliers and make gains in volume"*, says Baldrú Frederich, a dairy farmer from Rio Grande do Sul, Brazil, describing his experience of selling to Parmalat.⁹⁴

2. **Loss of protection:** Developing countries will be stripped of measures to protect their own markets. Oxfam calculations show that the current EU market access demands would lead to a further reduction in tariffs in 13 developing countries, including Panama, China, India and Nicaragua.⁹⁵ This will lead to even more excessive imports, which will drive local family farmers into poverty and create further dependencies (see box 13, p. 21). Since anti-dumping measures are too expensive for most developing countries, such countries not only lose tariff revenues (cf. p. 23) but also vital measures to effectively counter export dumping, as practiced by the EU.



⁹⁰ Vorley 2003: 14

⁹¹ Murphy 2002: 24

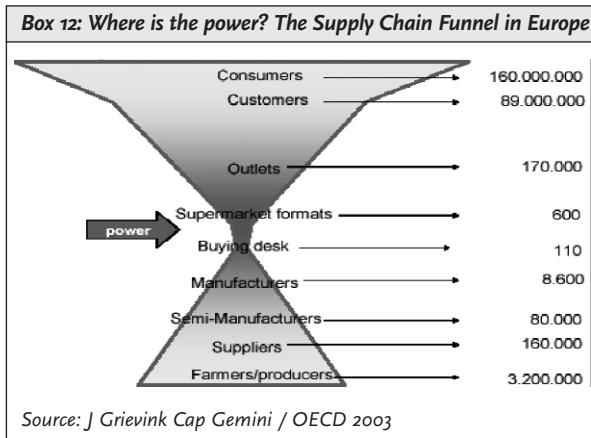
⁹² Action Aid 2005b: 16

⁹³ Murphy 2002, Vorley 2003

⁹⁴ Action Aid 2005b: 8

⁹⁵ Oxfam 2005a

3. High payments for agribusiness: The AoA does not stop detrimental dumping practices. On the contrary, through its complex classification system of agricultural payments, it legalises high payments benefiting large-scale farmers and cooperatives and once again, the agribusiness TNCs. This will further foster intensive and rationalised farming with high use of pesticides. This allows the EU's agribusiness to continue its devastating practices of export dumping (see box 13, p. 21).



EU PAYMENTS FOR AGRIBUSINESS

The EU and the EU corporate lobbyist play their role in maintaining this devastating system. The EU's position in the WTO agricultural negotiations is quite complex since it depends on many conflicting parties. Lobby groups from the industrial and services sector pressure the EU for substantial concessions towards developing countries, so that their specific interests will not lose out in trade-offs. "The much more exciting question is how the non-agrarian market access will progress and what sort of offers will be tabled for the services sector," states the Federation of German Industries BDI with regard to the current standstill in the WTO agricultural negotiations.⁹⁶ Germany's and also the UK's main ambitions in the WTO – backed by large industrial and services companies – are geared towards the NAMA and GATS negotiations. On the other hand, the large farmers' lobby has asked for continuous financial support, accounting for the largest share of the total EU budget. This is especially true for farmers from those countries with a largely concentrated agricultural sector, such as France. The main umbrella organisation of European national farmers association is **COPA-COGECA (Committee of Professional Agricultural Organisations in the European Union - General Confederation of Agricultural Co-operatives in the European Union)**. As one of the first European lobby organisations, it mainly represents the interests of large-scale industrial farmers and big cooperatives as the main beneficiaries of the European Common Agricultural Policy (CAP). In the current trade negotiations, COPA-COGECA has defended export

subsidies and sought to maintain domestic subsidies. A recent Oxfam analysis shows why: The European Commission's own statistics show that the top 15% of French farming businesses consume a massive 60% of its direct payments. Most small French farmers – 70% of them – receive only 17% of the subsidies doled out by Paris.⁹⁷ About 70% of EU agricultural payments goes to 20% of the largest farms in Europe.⁹⁸ But not just large-scale farmers benefit from EU payments. As Oxfam has shown, some of the EU's largest TNCs, such as Nestlé, Campina and BASF, as well as the Dutch arm of Mars and Heineken, receive high payments out of the EU agricultural budget.⁹⁹ At the same time, millions of farmers in the North – knowing that their products will be sold below the cost of production - had to leave their job, farm incomes in the UK have declined by 40% in recent years and France has lost half of its farmers over the past 20 years.¹⁰⁰ It is these farmers that would require support in order to maintain a sustainable agriculture in Europe. However, they do not have much say in Brussels. Although COPA-COGECA's role is not as important as it was in the 1970s, when it was regularly consulted by national government before each agreement, it is still a highly influential player in Brussels.

MARKET ACCESS FOR EU EXPORTERS – WITHOUT PROTECTION

One issue that the Commission, including DG Trade and DG Agriculture, the largest farmers' lobby, as well as the food and drink industry all agree on is market access for European exports. This stems from the fact that by the 1960s, the CAP had achieved self-sufficiency, at the same time that it was elaborating an agro-export policy to finance the dumping of surpluses of butter, milk, cereals and beef on the world market.¹⁰¹ In France, the slogan was "*Produce to export: agriculture is France's green petrol*".¹⁰² This set of policies, by generating food surpluses, led to an intensifying competition for world market outlets via export dumping – with some devastating effects on family farmers in developing countries (see box 13, p. 21). Since liberalisation in agriculture trade began in the 1980s, developing countries have increasingly become dependent on agricultural imports. Between 1979 and 2000, agricultural imports rose by 115%.¹⁰³ Family farmers have lost their income and have been driven into poverty because they cannot compete with these imports. Coupled with shrinking commodity prices, some developing countries are now highly dependent on large food importers to cover their needs for food, the consequence are further dependencies and debts. According to UNCTAD, these chronic power imbalances in the structure of global commodity markets contribute to a cycle of economic stagnation and extreme, persistent poverty in commodity-dependent developing countries.¹⁰⁴ Thus, European agribusiness exporters benefit from structural imbalances to the disadvantage of the world's poorest rural pop-

⁹⁶ BDI, source: Wiggerthale 2004: 12

⁹⁷ Oxfam 2005b, for more details on export subsidies cf. Wiggerthale 2005a

⁹⁸ CAFOD 2002: 17

⁹⁹ Oxfam 2005b

¹⁰⁰ CPE 2005: 5, Action Aid 2004b: 15

¹⁰¹ Mc Michael (without year): 6

¹⁰² Bové and Dufour 2001: 148

¹⁰³ FAO 2004, cf. Eberhardt 2005: 15

¹⁰⁴ Action Aid 2005b: 37

ulation in developing countries. Developing countries, such as the G-33, consisting of Indonesia, India and China, but also some ACP-countries and members of the LDC-group have promoted measures to protect their markets. But even these harmless trials to introduce more "balance" within the WTO system are, to a large extent, stripped or even blocked by the EU. But EU agricultural policy does not only have detrimental effects on family farming in the Global South. Only recently, the EU has again reformed its agricultural policy: But the much praised "decoupling"-policy, i.e. payments decoupled from production, leads to sinking prices within the EU, making it impossible for many European family farmers to live on selling agricultural products. This new model allows downstream agribusiness, i.e. processors and supermarkets to buy products below production costs – which according to the European Farmers Coordination (CPE, Coordination Paysanne Européenne) "was probably the purpose number one of the CAP reform." The direct payment paid to the farmers therefore can be considered "as an indirect payment to agro-industry and supermarkets, far from the benefits for farmers and consumers claimed by the European Commission."¹⁰⁵

Impact Box 13: Export dumping

European farmers are highly dependent on the transnational agribusiness, which puts farmers under constant pricing pressure. This, combined with the demand for an export orientation in the South and an outdated support system in the EU, leads to a situation of fierce competition, in which farmers try to produce and sell as much as possible. The EU has an overproduction of 20% in milk; in 2001, the EU's wheat export prices were 34% below the costs of production. Even worse is the case of skimmed milk powder, where the export price only covers one-half the costs of production.¹⁰⁶ Constant overproduction coupled with high export subsidies leads to export dumping. Here are two examples:

Cheap chicken for Western Africa: Since the beginning of the 90s, chicken exports from the EU to coastal countries of Western and Central Africa have increased significantly. These exports usually consist of frozen cut pieces. EU consumers tend to eat breasts rather than whole chickens, and there is no market in the EU for other cut pieces, except for pet food. Thus, the European poultry processing industry has the choice between pet food and exporting to poor countries at low costs. In the Ivory Coast and Senegal, the cost of production for poultry meat is around 1.98 euros/kg but imported frozen chicken pieces from the EU are sold on local markets at 0.82 euros/kg. With these conditions, it is impossible for local farmers and production units to compete. During the first half-year of 2002, 40% of Senegalese production units were forced to give up operation. In the Ivory Coast, the national chicken production shrank by 25% between 2002 and 2003. One reason for the decrease in the Western African poultry sector is the low level of tariffs, which is insufficient to protect local production. While tariffs are currently at a level of 5%, an efficient protection of local chicken producers would require a level of 400%. Due to the WTO Agreement on Agriculture, it is impossible for these countries to use a special safeguard mechanism in order to protect their production, which is threatened by EU exports¹⁰⁷.

Cheap powdered milk for Jamaica: With nearly 40% of the global trade volume, the EU is the largest supplier of dairy products in the

world markets. Through dumping practices, the EU has penetrated the markets of developing countries with whole milk powder and skimmed milk powder as well as condensed milk, and now competes directly with domestic producers. Every year, the EU exports approximately 40,000 tons of milk powder and sweetened condensed milk to the Francophone countries of Western Africa. In 1999, one litre of milk from subsidised milk powder from the EU cost 160 African Francs in Senegal, while one litre from domestic production cost about 350-400 African Francs.¹⁰⁸ In Jamaica in 1992, import tariffs on milk powder were reduced and the parallel subsidy for local dairy farming was abolished as a result of conditions attached to a structural adjustment loan, negotiated with the World Bank. This has resulted in a huge surge of milk powder imports into Jamaica – primarily from the EU, which saw its exports to Jamaica almost quadrupling between 1992 and 2002. With cheap milk powder easily available, Jamaican food companies as well as Nestlé have been turning their backs on Jamaican fresh milk. During 2000 and 2002, production of local milk by farmers plummeted by 35%. Small-scale farmers based in remote rural areas depend upon their ability to transport their produce to markets. Previously, supported by the government, a substantial infrastructure existed to collect, process and sell milk. Cheap milk powder from the EU has helped destroy this infrastructure, driving many small-scale farmers into poverty.¹⁰⁹ These practices threaten food sovereignty in the South: 1) Export products sold at dumping prices threaten to exclude local products from the local market. 2) In the importing country, prices will fall so that many farmers are forced to sell their farms and so cannot produce food for their own needs anymore, thus losing their income and subsequently being driven into poverty. More than one half of the world's extreme poor depend mainly on farming or farm labour for their livelihoods. So if the markets for their produce is destroyed, they will have no income with which to buy imported food, and their overall food security will be damaged.

"FIVE-STAR TREATMENT": THE FOOD AND DRINK INDUSTRY

The largest industrial sector in the EU – the food and drink industry – is naturally highly interlinked with the agricultural sector and thus has high stakes in the WTO agricultural negotiations. With a production value of over €800 billion, the food and drink industry relies heavily both on exports (€44 billion a year) and imports of raw material to the EU, as the largest importer of agricultural raw materials globally.¹¹⁰ In Brussels, the food and drink industry join forces in the CIAA (Confédération des industries agro-alimentaire de l'UE), a mixed trade association with Unilever, Danone and Nestlé among their most powerful corporate members. The CIAA has two priorities: a very limited and conditioned reduction of support for the agricultural sector and market access for processed food. Regarding export subsidies, it states: "As these export refunds are a compensation for higher EU agricultural prices, their elimination will result in export being no longer viable in certain sectors of the food industry, if it does not go hand in hand with necessary internal market reforms and if there is no access to competitive agricultural raw materials".¹¹¹ In other words: No cuts to export subsidies, if prices and tariffs are not lowered within the EU, so that processed food can still

¹⁰⁵ CPE 2005: 6

¹⁰⁶ Khor 2005: 5, CAFOD 2002: 8

¹⁰⁷ Case study taken from Germanwatch 2004: 26ff

¹⁰⁸ Data taken from Germanwatch 2004: 30ff

¹⁰⁹ Case study taken from CAFOD 2002: 9ff

¹¹⁰ CIAA 2005a

¹¹¹ Ibid.

rely on cheap input products to continue exports at low price. But most of all, CIAA demands “*the opening up of new trade opportunities for food and drink industries and their products*”.¹² The demand for high tariff cuts to open up new export markets is coupled with the blocking of developing countries’ efforts to introduce measures to protect their markets from cheap imports.¹³

The agribusiness lobby is well respected by EU officials, as former trade commissioner Lamy clearly expressed to the CIAA: “*With such five-star treatment, your industries naturally have – I hope I am right in saying – excellent relations with the Commission, and [...] it does have the merit of encouraging you to present well-defined positions on trade issues, in the knowledge that a united stand will increase your leverage [...]*”.¹⁴ Thus, when the CIAA offers to “*provide information on products and countries for which improvement of market access will be key to obtain positive responses to food and drink industry offensive interests*”,¹⁵ this will most likely be taken into consideration by the Commission. And indeed, the EU’s priorities in the run-up to Hong Kong are to maintain its current Common Agricultural Policy (CAP), while at the same time pushing for market access in its export markets. Even the EU’s promise to eliminate all export subsidies will only be realised if the US makes some concession in its agricultural policy. Besides, the EU uses agricultural negotiations to exert pressure in other negotiating areas such as NAMA and GATS. What has unofficially always been the case is now official: The November 2005 agricultural offer by the EU is conditional upon the stipulation for major concessions in NAMA and GATS to meet the demands of lobbies in the services and NAMA sector.¹⁶



Box 14: European agri-food companies by sales, 2003-2004¹⁷

Rank	Name	Country	Category	Sales (in \$bill)
1	Nestlé	Switzerland	Multi-product	18.8
2	Unilever	Netherlands/ UK	Multi-product	13.2
3	Diageo	UK	Alcoholic beverages	n/a
4	Danone	France	Multi-product	8.9
5	Cadbury/ Schweppes	UK	Beverages, confectionary	n/a
6	Heineken	Netherlands	Beer	7.7
7	Parmalat	Italy	Dairy, snacks, beverages	n/a
8	Scottish& Newcastle	UK	Alcoholic beverages	7.3
9	Associated British Foods	UK	Sugar, starches, prepared foods	4.4
10	InBev	Belgium	Beer	3.5

Impact Box 15: Unilever

Unilever’s mission statement is “*Meeting the everyday needs of people everywhere*”, and the multinational definitely has a huge and expanding global reach. Unilever is one of the world’s top three food firms, after Nestlé and Kraft, and the world’s second largest packaged consumer goods company – behind Procter and Gamble. However, in spite of Unilever’s vast size and presence worldwide, the company’s actual visibility is surprisingly low. Unilever does not retail under its own name, preferring brand names to create the illusion of diversity. Names such as Magnum, Omo, Dove, Knorr, Ben&Jerry’s, Lipton, Slim-Fast, Iglo, Unox, Becel, and Lever2000 are all part of the “*Unilever armada of brand names*”.¹⁸ Dating back from colonial times, when it set up trading points all over Africa, Unilever and other food corporations now control virtually every step of the food production and distribution system.

Unilever and lobbying in trade policy

Unilever – as the queen of Brussels lobbying on agricultural trade policy – is able to direct and shape agricultural and economic systems to its own needs. Unilever’s involvement in the Brussels lobby scene is breathtaking: Willem van Laan, Agricultural Economic Adviser at Unilever, is Chairman of WTO/Agriculture in the UNICE international relations working group. With Jean Martin from Unilever as President of the CIAA and four Unilever representatives as CIAA board members, the largest European food company is also the most dominant player within the food and drink lobby group. Since 2003, the Transatlantic Business Dialogue (TABD) has been co-chaired by Unilever CEO Niall Fitzgerald and mainly been run from the Unilever headquarters in London and Rotterdam.¹⁹ Last but not least, Unilever – jointly with Danone and Nestlé – set up the Sustainable Agriculture Initiative. What at first appears to be an environmental initiative, is in truth an interesting exercise in public relations. Under the slogan “*People, Planet and Profit*”, the food industry tries to portray itself as concerned about the environment without hiding its commercial interests. Behind the layers of sustainability talk lies an aggressive agenda of market access through trade negotiations.²⁰ Situated in a common Brussels office building, the Sustainable Agriculture Initiative is closely linked with the CIAA. With such high influence, Unilever’s position in trade policy is laid out by UNICE and CIAA (see above, p. 21) and is taken well into consideration by the EU.

¹² Ibid.

¹³ For a detailed analysis of the agribusiness lobby in Brussels, cf. Wiggerthal 2005b

¹⁴ Lamy 2003

¹⁵ CIAA 2005b: 2

¹⁶ European Commission 2005c

¹⁷ CIAA 2004

¹⁸ Corporate Watch UK, without year

¹⁹ CEO 2004: 16

²⁰ www.saiplatform.org

Market access à la Unilever

Liberalisation by the WTO will pave the way for the further growth of one the world's largest food and drink companies – and this is what Unilever is demanding in the current WTO negotiations. What does this mean in practice? Even today, Unilever does not refrain from using some 19th century empire vocabulary. Patrick Cescau, Director of Unilever Foods Division, said: "We have a strong presence in the developing and emerging markets, yet there is plenty of 'white space' to move into."¹²¹ What this space might be, is illustrated in the following article: "It is morning in the down-at-heel Tanzanian hamlet of Kiwalani, and the salesman Sospeter Jackson is busy helping to define the future of marketing to Africa's dollar-a-day economies. Wearing Unilever's battledress, an 'Omo' t-shirt and a yellow 'Key' baseball cap, he has cycled to a tiny outlet beside a gravel road and launched into the daily challenge of bringing his products to some of the poorest people in the world. Salesmen in Unilever uniforms act as mobile advertisements, and by travelling door-to-door, develop personal relationships with shopkeepers. They are paid extra if they hit targets. A systematic distribution operation is crucial to the success of any company in a developing economy. But it is a large-scale undertaking," says Rajendra Aneja, MD of Unilever Tanzania. Tanzania has 100,000 retail outlets across the country, in 9000 villages. With half the population living below the poverty line, consumers buy rice, maize and flour in tiny quantities every day from mini kiosks in lanes that are too narrow for vehicles. Because Unilever delivers goods by van to big shops in towns, it had to find another form of distribution for outlets in inaccessible villages. In December the company came up with a pilot scheme to address this problem: the 'bicycle brigade'. Salesmen are given bicycles with large boxes welded onto the back to transport small packs of detergent powder, margarine, soap and oil. Each salesman visits about 20 to 30 shops, following a fixed itinerary. Small Omo detergent packs and Blue Band margarine have become market leaders, and Key soap, launched last December, has wrested 15% of a highly competitive market in just eight months."¹²² Tanzania is one of the world's poorest countries and desperately needs development to meet the needs of the poor. Whether Unilever's "success in a developing country" opens up the path to further development for the local population remains highly questionable.



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now asking for further elimination of any "barriers" they encounter. These include industrial tariffs which are still high in some countries of the developing world, as well as other measures such as export restrictions or environmental and social standards, the so-called non-tariff barriers (NTBs). The EU's strongest export sectors are the following: chemical products with **BASF** and **Bayer**, pharmaceuticals with **GlaxoSmithKline** and the Swiss companies **Novartis** and **Roche**, the automotive industry with **DaimlerChrysler**, **Volkswagen**, **Peugeot**, **Fiat**, **Renault** and **BMW**, non-electrical machinery with **ThyssenKrupp** and **Siemens** and finally, paper products.¹²⁴ The EU's primary aim in the current round of NAMA negotiations is to gain market access through the broad and drastic tariffs cuts (see box 16, p. 24).

For their part, developing countries are not only highly dependent on state revenues derived from tariffs, but also on policy space to regulate their infant industries:

1. A large number of developing countries liberalised their import regimes in the 1980s as part of Structural Adjustment Programmes (SAPs) designed by the World Bank and the International Monetary Fund (IMF). In a sample of 40 countries, an UNCTAD analyst found that half have experienced **de-industrialisation** in the aftermath of trade liberalisation. Most of these are countries at low levels of development, such as Ghana, Zimbabwe, Paraguay, Barbados and Haiti. But many other countries, notably in Latin America, have also seen their industrial base shrink as their trade barriers have come down. These include Chile, the Philippines, Brazil and Venezuela.¹²⁵ This not only cut development opportunities and it will also have major impacts on employment.
2. According to simulations undertaken by UNCTAD, some sub-Saharan African countries could, for example, see their **tariff revenue** cut by anywhere between 33 and 7 percent, depending on the tariff reduction formula adopted. In the case of South Asia, the estimated loss ranges between 26 and 5 percent.¹²⁶ Debt-burdened and highly impoverished countries are dependent on tariff revenues. In some of the poorest sub-Saharan countries such as Benin, Gambia, Lesotho, Sierra

NAMA – a de-industrialisation agenda

GLOBAL PRODUCTION NETWORKS VERSUS DE-INDUSTRIALISATION

Trade in industrial goods accounts for more than 75% of total world trade and is thus the largest sector that is currently being negotiated within the WTO.¹²⁷ Since the 1990s, global production has increasingly been organised through large production networks that operate in various countries, either through direct affiliates or through contracting systems. These networks and "global supply chains" are dominated by a few "lead firms", i.e. the largest global TNCs with their headquarters in the U.S., Japan and, of course, Europe. The evolution of these global production networks resulted from technological developments but also from trade liberalisation that has increasingly allowed the TNCs to move their goods from one place to another without facing high transaction costs and to relocate their production to the regions with the lowest labour costs. In the current WTO Non-Agricultural Market Access (NAMA) negotiations, the TNCs are

¹²¹ Unilever Press Office 2003

¹²² Financial Times, 7 November 2000: No order too small for a bicycle brigade that peddles products in rural Tanzania, taken from Corporate Watch UK, without year

¹²³ WTO 2002: International Trade Statistics

¹²⁴ European Commission 2005b, European Commission 2004: 46

¹²⁵ Shafaeddin 2005, cf. Action Aid 2005a: 9

¹²⁶ Fernandez de Córdoba 2004, cf. Action Aid 2005a: 19

Leone and Uganda, for example, tariff revenues account for more than 40% of all state revenues.¹²⁷ Cuts to tariff revenue would result in even less government spending for education, health and social security or other services that are badly needed for development.

3. Beyond this, as in the agricultural sector, the global production networks are based on an international division of labour, in which the TNCs relocate their labour-intensive production to the poorest countries, while developed countries try to strengthen their position at the top end of the pyramid. The EU's strength in the industrial sector is based on upmarket products, i.e. value-added products which sell at a higher price owing to quality, branding and related services, accounting for about half of European exports and a third of the world demand. Developing countries remain locked in their **dependency on commodities** as a recent study by UNCTAD clearly shows: Benin, Mozambique and Ghana are sad examples of how trade liberalisation decreased the chance to develop economic diversification. Benin increased its export specialisation in cotton – and thus the country's dependency on one product – four times as the result of liberalisation.¹²⁸

THE NAMA LOBBYISTS

UNICE is certainly the strongest lobby group in the NAMA negotiations, since most national trade associations still have a strong industrial basis. “*NAMA negotiations rank among UNICE’s highest priorities in the DDA. Ambitious tariff liberalisation and elimination of non-tariff barriers (NTBs) will be one of the main criteria by which UNICE determines its overall support for the final deal.*”¹²⁹ This is also indicated by the fact that UNICE's last lobby mission to Geneva before the General Council will have a focus on NAMA, as well as the fact that throughout the year 2005, it has been involved in a good deal of activity around NAMA in Geneva.¹³⁰ Under the lead of the U.S. National Manufacturers Association (NAM), UNICE and representatives from national employers' federations from Germany, the UK, France and Denmark in the EU, and Norway, Japan and Korea outside the EU jointly formed a “manufacturers' fly-in to Geneva”.¹³¹ In bilateral meetings with key negotiators, they asked for drastic tariff cuts and the elimination of non-tariff barriers in the current NAMA negotiations. UNICE already claims its first success story: The Council changed the Commission's mandate from the original 25% maximum tariff line as a target in the current negotiations to what is now 15% (see box 16).

Box 16: NAMA – what the Commission says and what UNICE says

The Commission's latest position in the NAMA –negotiations, agreed upon in November 2005 as the minimum condition for its offers in agriculture, closely resembles UNICE's position, taken from its Hong Kong fact sheets from September 2005. Both the Commission and UNICE favour a simple Swiss formula, i.e. a formula that cuts high tariffs at a higher rate than lower tariffs. Both the Commission and UNICE agree that tariffs in “advanced developing countries” should not exceed the level of 15% - a figure that UNICE had fiercely lobbied for. As regards NTBs, the Commission only explicitly mentions export duties, which UNICE also lists first in a list of NTBs that it wishes to see reduced. UNICE seems to have been very successful in its efforts to lobby the European Commission:

The European Commission's position on the NAMA negotiations:¹³²

“We seek agreement on a **simple Swiss tariff cutting formula**, applied **line-by-line**, leading to substantial improvement in real market access through cuts in the **applied duties** of developed and more competitive developing countries [...].

Details:

- Advanced Developing countries: [...] the highest tariff should **not be higher than 15%**. [...]
- Unbound duties: Marked up by 10 percentage points before reduction.
- Non-tariff barriers: Need for agreement on the elimination of **export duties** or their binding at low levels.”

UNICE's position on the NAMA-negotiations:¹³³

“**Tariff reduction formula:** Negotiations from now to Hong Kong should focus on the tariff reduction formula which should substantially cut into **applied industrial tariffs without exception** [...]. UNICE believes that a **simple Swiss formula** is the best approach to achieve this ambitious target [...]. The maximum level for any industrial tariff at the end of the staging period should **not exceed 15%**.

- **Tariff binding:** [...] a non-linear 5% mark-up to unbound tariffs before they are subject to the tariff formula.
- **Non-tariff barriers:** Horizontal NTBs should address, in the most appropriate and effective way, issues such as **export restrictions/taxes**.”

Next to UNICE, some sectorial lobby groups are heavily involved in the NAMA negotiations. **CEFIC (European Chemical Industry Council)** not only rallies against the planned REACH regulation (Registration, Evaluation and Authorisation of Chemicals) but also pushes for zero tariffs in chemicals (see box 18, p. 25). In a survey conducted by Burson-Marsteller among senior Commission officials, the effectiveness of lobbying the chemical industry scores the highest.¹³⁴ Among the most influen-

tial players within CEFIC is **BASF**. The European Automobile Industry **ACEA** has just opened a new office in China and thus its main interests in the WTO negotiations are focused on China's implementation of the accession commitments.¹³⁵ Nevertheless, the interest of the automobile industry in the WTO negotiations was apparent during the WTO Ministerial conference in Cancún in 2003, in which **DaimlerChrysler** organised a reception for the decision makers and delegates present.

¹²⁷ Worlbank 2003, cf. Hilary 2005: 8

¹²⁸ UNCTAD 2004b

¹²⁹ UNICE 2005b

¹³⁰ Cf., for example, KITA et al 2005

¹³¹ NAM 2005

¹³² European Commission 2005e

¹³³ UNICE 2005a

¹³⁴ Burson-Marsteller/BKSH 2003: 7

¹³⁵ ACEA 2005

**Impact Box 17: More than industrial products and tariffs:
NAMA and the environment**

Exploitation of natural resources: NAMA covers more than just industrial goods. All natural resources are effectively on the table, including timber, minerals and gems but also fish. Liberalisation in these highly sensitive sectors could have considerable environmental impacts. For example, a study by the USTR comes to the conclusion that lower tariffs would lead to an increase in trade in forest products as well as an increase of the global timber harvest.¹³⁶ Global deforestation might thus be further accelerated. In the EU, the paper industry, as a major downstream user of wood, is interested in low tariffs in the forestry sector. For this reason, the Confederation of European Paper Industries (CEPI) has high stakes in the NAMA negotiations: "Free access to raw materials – wood, recovered paper, but also chemicals and starch – markets and the suppression of import and export restrictions would further contribute to the European pulp & paper industry."¹³⁷ It remains to be seen whether they will find open arms from the European Commission. In addition, the elimination of tariffs in the fisheries sector is of interest for the European food industry. CIAA, the influential trade association of the food and drink industry, explicitly mentions "fish and fish products" as sectors in which "CIAA members favour significant progress in the industrial market access negotiations".¹³⁸ The example of Brazilian fishery exports to the EU clearly shows how lower tariffs will increase the exploitation of natural resources. Between 1999 and 2003, fishery exports, mostly shrimp and prawns, increased by an annual average of 60% at the same time that import tariffs for Brazil fell from 12% to 4.3%.¹³⁹

Eco-labelling: Next to tariffs, other environmental regulatory measures are also at risk. The following environmental regulations have already been listed for further consideration by the WTO: the certification of wood products, restrictions on trade in chemicals and viruses put in place for "strategic reasons", the tracing and labelling of fish and fish products, general import prohibitions for environmental purposes, and packaging, marketing and labelling requirements.¹⁴⁰ An example of a European lobby group that rallies against eco-labelling is the highly effective corporate lobbying newcomer EICTA (European Information, Communications and Consumer Electronics Technology Industry Association), a merger between two former telecommunications and information technology (IT) associations. As a mixed organisation, EICTA counts 53 multinational companies as members, including Siemens, Philips, Ericsson and Nokia. Since tariffs in the electronics sector are low already, EICTA is mostly concerned that "regulatory barriers have become one of the main obstacles to the free flow of our products" and further states that "specific labels, such as eco-labels, and the rules for affixing the labels, should be internationally harmonised and all national and regional labels should gradually be removed."¹⁴¹ Such a move would result in relinquishing major successes achieved by the environmental movement, since international standards are unlikely to be as advanced as in the EU. Even if the EU does not pressure for further elimination of these specific regulations, the corporate lobby push combined with the WTO listings might discourage governments from strengthening existing labels or introducing new ones through the so-called "chill effect", i.e. they might already fear risking trade disputes in the future.



According to a European Parliament report, one of the most effective actors at the European level is the **European Federation of Pharmaceutical Industry Associations (EFPIA)**.¹⁴² While the focus of its ambitions lies in the TRIPs agreement, it also seeks the cut of – already fairly low – tariffs in the pharmaceutical industry through a sectoral initiative. The China textile dispute during the first half of 2005 was followed closely by the importers lobby. **Eurocommerce**, the **Foreign Trade Association (FTA)**, fought for unlimited market access, while **Euratex**, the European trade associations of textile producers, made the case for further quotas in order to protect the European textile industry, especially in Italy.

Impact Box 18: De-industrialisation and an environmental backlash? – CEFIC and NAMA

The chemical industry is one of the most internationally orientated industries with upstream and downstream production sites interlinked throughout the world. Chemicals are the third largest industrial sector in the world and trade in chemicals accounts for up to ten percent of global trade in goods.¹⁴³ Production largely remains in the hands of few. Among the ten largest chemical firms in the world, six are from the European Union, with the German corporations **BASF** and **Bayer** being the largest producers.¹⁴⁴ European production accounts for 30% of world production.¹⁴⁵ The European companies are organised into the European Chemical Industry Council (CEFIC), which also holds the secretariat for the International Council of Chemical Associations (ICCA). Housed in a huge building outside the busy Brussels centre, CEFIC is amongst the largest and most influential European trade associations. The association recognises the WTO as the most important place for trade liberalisation agreements: "During the last round of negotiations, representatives of the chemical industry were commended by officials for providing a coherent, global chemical industry approach to a wide array of issues. The chemical industry must seize the opportunity to play a similar role in the next WTO round of negotiations."¹⁴⁶ Thus, it is no surprise that René van Sloten, CEFIC trade policy officer, chairs the UNICE WTO/Market Access working group. CEFIC's aim in the current negotiations mainly concerns market access through the further elimination of tariffs and environmental standards that affect the chemical industry.¹⁴⁷

To date, this has already been partially agreed upon in a plurilateral agreement. According to a lobbyist of a large European chemical corporation, the so-called Chemical Tariff Harmonisation Agreement (CTHA), an annex to the 1995 GATT, was completely written by lobbyists from the chemical industry. CEFIC asks for further tariff cuts and proposes a sectoral initiative that should ban chemical tariffs altogether within the next 15 years. However, any subsequent profit for the European chemical industries is questionable. The example of the Ivory Coast suggests that trade liberalisation could seriously hinder some countries from building up their own chemical industry. Here, in the 1980s, the chemical industry broke down completely as the result of a liberalised trade policy introduced through an IMF structural adjustment programme and is only now being reinstalled, again with the largest share of profits going to foreign corporations.¹⁴⁸

There is yet another target: The EU is currently debating proposed EU-wide legislation which would require the submission of safety data for chemicals in order to enable a coherent regulation of chemicals (known as REACH – registration, evaluation and authorisation of chemicals). In 1998, the European Commission and Council reached agreement on the necessity for introducing a new way of controlling chemicals in Europe – on the grounds that the major share of all chemicals used in Europe are not tested for their environmental and

¹³⁶ FERN 2000

¹³⁷ CEPI 2005

¹³⁸ CIAA 2005b: 3

¹³⁹ Knirsch/Mittler 2005

¹⁴⁰ Friends of the Earth International 2005

¹⁴¹ EICTA 2005

¹⁴² European Parliament 2003: 13

¹⁴³ Schörling 2004

¹⁴⁴ Calculated from OECD figures on companies' sales volume (Schörling 2004).

¹⁴⁵ Ibid.

¹⁴⁶ CEFIC 2001: 2

¹⁴⁷ ICCA 2005a, ICCA 2005b

¹⁴⁸ Hilary 2005: 4

health impacts. This also applies to chemicals which accumulate in human fat tissue and milk, which are very persistent in the environment, as well as many others that may have serious impacts on human and environmental health. After a long working process, the Commission suggested a precautionary approach in a 2001 white paper, consisting of the following measure: All chemical substances produced in or imported into the European Union in volumes over one ton per year would have to be registered.

Initially an issue for single corporations, lobbying was geared up when BASF took the CEFIC lead in 2002. Chemical corporations and their trade associations on both sides of the Atlantic are running an intensive campaign against REACH. European chemical corporations were successful in joining forces with the American chemical industry through the TABD, which, in turn, lobbied the US administration to get involved. Arguments included points on the costs, loss of jobs and competitiveness.¹⁴⁹ Moreover, corporations agreed that REACH would place too many obstacles to free trade and would thus be in conflict with WTO agreements. This was further supported by Japan, which called REACH an NTB that it wants to see eliminated during the NAMA negotiations. The chemical industry has already been successful: "The proposed REACH is a shadow of the original plans," says the European Environmental Bureau.¹⁵⁰ And trade policy has played its role in this. The threat of a WTO case alone can be enough to induce policy makers to weaken the proposal.

Services/GATS – the EU's growth sector

THE EUROPEAN SERVICES SECTOR AND THE GLOBAL DRIVE FOR PRIVATISATION

The EU is the world's largest exporter of services, accounting for nearly a quarter of the world's total services exports.¹⁵¹ In the EU, services constitute "*the single most dynamic economic activity*", accounting for at least two thirds of the GDP and employment.¹⁵² As DG Trade puts it: "*The EU therefore has much to gain from further opening of trade in services and it is consequently one of its key priorities in the Doha Development Agenda.*"¹⁵³ In the same document, DG Trade names the services sector "as perhaps *the EU offensive interest*".¹⁵⁴ Services have not always been of such high importance in the EU. Only over the past ten years have European services companies transnationalised by increasing their FDI activities. Most importantly, a large group of new TNCs has emerged – notably telecommunications, electricity and water. In all these sectors, emerging TNCs are former state-owned monopolies that developed into global players after the liberalisation of the EU internal market, i.e. **France Telecom**, **Deutsche Telekom**, **Telecom Italia** and Spain's **Telefónica** in the telecommunications sector, **Électricité de France** and the two German companies **RWE** and **E.on** in the energy sector, and finally **Suez**, **Veolia** and again **RWE** for water.¹⁵⁵ In two other sectors, European companies are challenging the US. European firms have taken the lead in both insurance and retailing (for the insurance companies, see box 20, p. 29, for the retail companies see box 22, p. 30). But according to the EU, the EU's services sector, though strong, still faces "challenges" for the years ahead and thus it has a clear position for the GATS negotiations to come: "*The EU [...] should push negotiations in sectors where it has a comparative advantage and where little commitments have been made so far by third countries (maritime, environmental*

services, distribution are good examples)".¹⁵⁶ Unlike the AoA and the NAMA negotiations, the GATS negotiations are still at the beginnings – and it is hard to show what the impacts have been so far. Nevertheless, the GATS will certainly accelerate some tendencies, such as privatisation and deregulation, which have had considerable impacts on livelihoods, development and the environment. Next to further market access, European TNCs will also endeavour to lock in existing liberalisation imposed by other fora, such as IMF and World Bank.

1. Privatisation: The global expansion of service companies is often linked with privatisation processes forced or at least accelerated by the IMF, the World Bank and the telecommunications agreement as part of the GATS. Privatisation has led to an unprecedented process of commercialisation, in which formerly publicly-owned areas are now under the realm of corporate governance. The impact of such privatisation is already visible: The ILO has shown that privatisation and restructuring processes in water, electricity and gas utilities have in general resulted in a reduction of employment levels, often affecting up to 50% of the workforce.¹⁵⁷ Finally, the poor may lose out from privatisation if it results in price increases, if illegal connections are abolished and non-payers are disconnected – as has been the case in South Africa and Nicaragua (see also boxes 21 and 23, p. 29 and 30).¹⁵⁸ Further liberalisation – as demanded by the GATS corporate lobbyists – would certainly increase these tendencies.

2. Deregulation: The GATS is not only a trade agreement, but unlike the AoA and the NAMA negotiations, also covers foreign direct investment. Besides, in the services sector, domestic regulations, such as social and environmental standards, are even more important than in the industrial and agricultural sector, since the national services sector is not protected by tariffs. Thus, with its aim to target domestic regulation at all levels, the GATS points right at the core of each communities right to regulate, be it on a national, but also on a regional or local level. Basic services such as water distribution, sewage or electricity in many countries are governed on a sub-national level – an essential pre-condition to ensure democratic control over basic strategic services.



¹⁴⁹ AmCham EU, CEFIC, FECC 2004

¹⁵⁰ Schörling 2004: 1

¹⁵¹ European Commission 2003

¹⁵² European Commission 2004: 8

¹⁵³ Ibid.

¹⁵⁴ Ibid.: 38

¹⁵⁵ UNCTAD 2004: 108f

¹⁵⁶ European Commission 2005b

¹⁵⁷ ILO 1998, cit. Bayliss 2002: 10

¹⁵⁸ ÖBFG 2003: 20ff, Bayliss 2002: 12

FROM URUGUAY AND BEYOND - CORPORATE LOBBYISTS BEHIND THE GATS

The process to include services in the multilateral trade regime during the Uruguay Round was very much driven by corporations. As David Hartridge, former director of the WTO's Services Unit puts it: "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."¹⁵⁹ At first, mainly US-American companies brought in the idea of an international agreement on services to the multilateral trade agenda. European companies took more time to join the intense business campaign that led to the GATS. It was the Commission which set up the **European Community Services Group (ECSG)** to represent business views during the Uruguay Round.¹⁶⁰ The ECSG was mainly driven by the British financial sector, which was already well organised in the area of international trade through **British Invisibles (BI)**, having set up its **Liberalisation of Trade in Services (LOTIS)** committee as early as 1981.¹⁶¹

Box 19: Julian Arkell – one of the experts behind the GATS lobby groups

Julian Arkell is an elderly man with a stunning biography. "Getting business involved in the GATS negotiations" or "the best GATS expert alive" might be a way to sum up his lifetime work and mission. Arkell not only initiated the setting up of services groups on a national, European and global level, he himself was involved in virtually every lobby group that had a say in the GATS negotiations. The list of lobby groups in which Arkell has or had a say is long. On a national level he was deeply involved in the ICC UK and the CBI. He was a founding member of the LOTIS committee of British invisibles. He was then commissioned by British Invisibles to act as the ECSG Secretary and draft its position statements, as well as to carry out similar duties for LOTIS. Both British Invisibles and the ECSG were the European driving force behind the services negotiations in the Uruguay Round. On the European level, he acted as the Services Rapporteur for the UNICE GATT Working Group from 1990-1994. On a global level, Arkell was a founding adherent of the Global Services Network in April 1998, acted as a chairman of the World Services Forum from 1997-2000 and served as a member of the Business Advisory Committee for the second World Services Congress in Hong Kong in 2001.

Among his publications are several "how-to" books on lobbying in the services sector. In "Forming and running a national Coalition of Services Industries – an action checklist" (1997) and "A review of issues in the GATS negotiations - for lobbyists" (1998), Arkell strongly advised both governments and business to form business lobby groups for the upcoming GATS 2000 negotiations: "Business in the EU must be better organised to co-operate with US counterparts where possible, in the wider interests of free trade."¹⁶² Arkell did not have to wait long. In 1999, the European Services Forum was initiated by Leon Brittan and finally set up by Andrew Buxton, who was one of the lead figures in the LOTIS committee of British Invisibles, and therefore must have been well known by Arkell.

In 2003, Julian Arkell shifted his target. While he had by now been fairly successful in setting up various GATS lobby groups, the project GATS was facing some attacks by GATS critics. In a background paper on the GATS, Arkell points out that "some activist NGOs" brought forward many false claims into the public debate. He stated: "It is vitally important that the supporters of the services negotiations, governments and business alike, counter destructive claims and assert the reality." Moving on, he described in detail which arguments to use for such a public campaign, namely development rhetoric and denying the threat on public services.¹⁶³

Arkell now lives on a Spanish island and still works as a consultant for his own agency, International Trade and Services Policy (ITSPI insights on issues). Among his clients are the European Commission, Hill&Knowlton, ICC Paris, OECD, UPS, the UK Department for Trade and Industry, the Mark Twain Institute (a radical neo-liberal think tank), US Coalition of Services Industries and the US Department of Commerce. Born in 1934, he still jets around the world to fulfil his mission: The liberalisation of trade in services in the interest of business. One of his latest missions was the completion of the Sustainable Impact Assessment on Distribution Services that was commissioned by DG Trade.¹⁶⁴

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In 1999, just before the start of the new GATS round, the European Commission again took the initiative to form a renewed GATS lobby group. Trade Commissioner Leon Brittan initiated the founding of a European services lobby group, the **European Services Forum (ESF)**, which has since developed into a strong voice within trade policy making in the EU. The ESF is the best example of a truly incestuous relationship between corporations and the Commission. Having invited business into EU policy-making, the co-operation between the Commission and ESF has stayed very close ever since. At the opening meeting of the ESF, Brittan's invitation reads as follows: "**You are the driving force** of the consultation system which we have established, my door is open for any matters of concern [...] I am in your hand to listen to what are your objectives, your priorities for the liberalisation [...] I count on your support and input, at the company, CEO and Chairman as well as at the European or National Federations levels, so that we can refine our strategy and set out clear, priority negotiating objectives which will make a difference in the international expansion of service business."¹⁶⁵ The key idea behind setting up the **European Services Forum (ESF)** was to revamp the former services organisations, the ECSG and its successor the **European Tradable Services Network (ETSN)**, which had "no proactive leadership, nor driving force, because it is composed of over-worked bureaucrats of a few European-level sector trade associations."¹⁶⁶ The ESF now mainly represents the interests of large transnational service companies. Through direct high level representatives from individual companies, the interests of transnational corporations are as well secured as in the ETS. The **"European Service Leaders Group"** within the ESF consists of CEOs from Europe's largest services corporations. From its foundation in 1998 onwards, ESF members regularly go on "missions" to Geneva in order to directly lobby "reluctant" WTO delegates from both developing and developed countries. ESF members and secretariat staff meet Commission officials on a very regular basis, not to mention the very active e-mail correspondence which takes place on their joint agenda in the WTO services talks. E-mails obtained by the Corporate Europe Observatory reveal that the ESF is also in close contact with WTO staff. In September 2004, for example, they were encouraged by both Alejandro Jara, then Council of Trade in Services Chairman, and Hamid Mamdouh, WTO Services Division, "to make an assessment of the publicly available GATS Initial Offers, as to give the view of the private sector on the current state of play of the negotiations".¹⁶⁷ The assessments were

¹⁵⁹ Hartridge 1997

¹⁶⁰ Arkell 2001: 19

¹⁶¹ For an overview of corporate lobby organisations active on GATS, cf. Arkell 2001: 19f and Wesselius 2002

¹⁶² Arkell 1998: 30

¹⁶³ Arkell 2003: 7

¹⁶⁴ www.arkell.info/profile.html

¹⁶⁵ Brittan 1999, bold in original.

¹⁶⁶ Arkell 2001

¹⁶⁷ CEO 2005

then personally discussed between DG Trade officials and the ESF. On an international level, the ESF is represented in the **Global Services Coalition**. The Coalition has conducted several joint advocacy missions to Geneva to press for greater progress in the WTO negotiations. In September 2005, for example, the ESF went on a lobby mission to Geneva together with services industry representatives from Australia, Chile, India, Japan and the United States. According to a report by the US Coalition of Services, the Global Services Coalition played a key role in ensuring the proper treatment of services in the 2004 WTO "July Package", which put the Doha Round back on track following the Cancún Ministerial.¹⁶⁸

THE EU'S PRIORITIES IN THE CURRENT ROUND

The common goal of the European Commission and the European services companies was and still is "*to liberalise services markets throughout the world and to remove trade and investment barriers for the European services sector*",¹⁶⁹ i.e. to create a market for the expansion of European services companies. The ESF has repeatedly made clear that basic services such as the public water supply, healthcare, etc. all should be part of negotiations, just like all other services sectors: "*Our understanding of public services is that they do something for the public, and the public are businesses that trade internationally*" says one ESF representative. But especially these sectors, i.e. infrastructure including water distribution, energy, telecommunication, construction and retailing, which are of great interest for the EU and its TNCs, have largely been left outside negotiations by many WTO member countries. The ESF and other services lobby organisations do not hide its disappointment with the current status of the negotiations: "*A Round that ends with agriculture and goods agreements but no meaningful progress on services is unacceptable. Services are an integral part of the negotiations, and must be accorded the same stature, and addressed with the same negotiating intensity, as agriculture and goods.*"¹⁷⁰ Thus, at the end of the Doha Round, the EU is currently pushing for a new approach to tackle the impasse in the GATS negotiations. The EU aims to significantly reduce the current "request-offer approach" of the GATS negotiations, which allows WTO members to make liberalisation commitments to their own liking. With its new proposal on "complementary negotiating methods", the EU aims to introduce "quantitative targets" or "benchmarks" for new and revised liberalisation commitments.¹⁷¹ Additionally, the Commission is pushing for the launch of sectorial negotiations in construction, computer and related services, distribution, environmental services (including water distribution), financial services, telecommunications and maritime transport. WTO members would then need to sign on for a certain number of these sectorial agreements. The sectorial negotiations will be worked out in so-called "friends groups" comprising those countries with a specific interest in a certain

sector. These sectorial negotiations will be preferred and probably easily accessible havens for corporate lobbyists – this was the case for the plurilateral negotiations on financial services and telecommunications. In the NAMA negotiations, such instances have, once again, only been revealed in the minutes from a plurilateral meeting on electronics.¹⁷² The ESF is among the strongest supporters of the new EU proposals.

PAST SUCCESSES AND MORE SERVICES LOBBYISTS

The ESF is the strongest and most focussed Brussels lobby group in the GATS negotiations. Nevertheless, many companies and associations have also voiced their specific interests through additional channels. A DG Trade official names the maritime sector as one of the most vocal lobbyists and further adds other sectors, such as energy, telecommunications, insurance companies and postal services. Past lobby successes are depicted in the GATS annexes that were concluded after the end of the Uruguay round but before the launch of the new GATS negotiations in 2000. Above all, financial services play a key role. A report by the US Coalition of Services notes that the 1997 financial services negotiations were "*the first negotiations in which a multinational industry group, in this case the major financial services companies and associations of the U.S., Canada, the UK, and continental Europe, organized to advocate liberalization of services trade.*"¹⁷³ They formed the **Financial Leaders Group (FLG)** and the **Financial Leaders Working Group (FLWG)** to present a common agenda to their governments' negotiators. This agenda included the presentation to negotiators of agreed lists of barriers in banking, insurance, securities, fund management and other financial services. The USCSI further reports: "*Industry representatives from as many as 40 companies and associations in Europe and North America regularly met jointly with the chief financial services negotiators of both the EU and the US, and with representatives of the EU member states. This remarkable industry/government cooperation resulted in a well sustained common position.*"¹⁷⁴ The FLG and FLWG continue to actively advocate further liberalization in the Doha Round, and now include representatives of Japan, Hong Kong and Australia. It is now mainly the insurance lobby which is pushing for further GATS commitments (for the companies, see box 20, p. 29).



¹⁶⁸ Vastine 2005: 17

¹⁶⁹ www.esf.be

¹⁷⁰ ASR, CSCE, ESF; JSN, NASSCOM, USCSI 2005

¹⁷¹ WTO 2005b

¹⁷² WTO 2005a

¹⁷³ USCSI 2005: 2

¹⁷⁴ Ibid.

Box 20: European companies on the forefront: The world's ten largest insurance and re-insurance TNCs, ranked by foreign income, 2003⁷⁵

Rank	Name	Business I: Insurance, R: Re-Insurance	Country	Total assets	Foreign	Total
1	Allianz	I	Germany	1 168 000	74 550	106 200
2	AXA	I	France	967 000	69 700	89 390
3	Zürich Financial Services	I	Switzerland	317 900	44 520	48 920
4	ING	I	Netherlands	972 500	n/a	66 420
5	Generali	I	Italy	287 100	37 890	61 920
6	AIG	I	United States	678 350	31 980	92 700
7	Munich Re	R	Germany	261 400	27 640	50 436
8	Aviva	I	United Kingdom	370 650	26 640	53 280
9	Swiss Re	R	Switzerland	130 540	24 826	25 646
10	Prudential	I	United Kingdom	287 250	12 975	24 480

Secondly, the Telecommunication Agreement became a reality through positive cooperation between EU officials and the telecommunications sector, represented both by the ESF and the telecommunication services trade association **ETNO (European Telecommunications Network Operators' Association)**.⁷⁶ An ESF representative reports that the "positive" results in these negotiations were only made possible through direct involvement at the CEO level. As a services lobbyist puts it: "If CEOs ring up Peter Mandelson or their national government - or even better - the respective government of the country where they are active and say we need that commitment or we need that regulation to be withdrawn otherwise we'll leave the country, then this has weight. And this is what happened in the financial services and telecommunication negotiations."

Impact Box 21: The TNC conquista in telecommunications and electricity: Endesa and Telefónica in Latin America

Following the Spanish conquista back in the 16th century, Latin America has once again become the focus of some Spanish conquerors, this time in the form of transnational services companies. In the telecommunication sector, Latin America experienced growing competition between two major players: **Telefónica** of Spain and **America Movil** of Mexico. Both companies accelerated their acquisitions in the region, which was facilitated by a wave of divestments by US telecom companies. **Telefónica Móviles** is focusing on Latin America for its growth and, in recent years, has strengthened its position in the region. By July 2004, **Telefónica** was present in seven Latin American countries and will soon be present in 13 after completing the acquisition of ten Bell South operations. Moreover, **Telefónica** is also the leader of the mobile market.⁷⁷

Endesa generates, transports and markets electrical energy. It is the leading electricity utility in six Latin American countries. In the early 1990s, Endesa began expanding in Latin America in anticipation of new competitive conditions in the European market. It is the largest operator in Argentina, Chile, Colombia and Peru and now controls 10% of the Latin American energy market.⁷⁸ A second Spanish company that is active on the Latin American electricity market is **Union Fenosa**, which took over the electricity system in Nicaragua, for example.⁷⁹

But privatisation is rapidly losing popularity in Latin American countries due to popular resistance and the fact that benefits have fallen short of expectations. In Argentina, for example, the prices paid by users for the privatised telecommunication system were too high and in the electricity sector, private suppliers in many countries failed to meet agreed standards.⁸⁰ In Nicaragua, customers who were unable

to pay their high electricity bills after the privatisation faced cut-offs, even if that meant a major hardship for their local firm or their farm.⁸¹ Much more dramatic were some privatisation projects in the water sector, which led to an outright "water war", for example, in Cochabamba/Bolivia (see also box 23, p. 30f). TNCs have to face strong resistance against corporate involvement in those sectors that are regarded as public services. "No a la privatización" (No to privatisation) is a common slogans that are now found on many walls all over the continent. The GATS annex on telecommunication was a great success for corporate lobbyists, as confirmed by Christopher Roberts, chairman of IFSL's LOTIS: "The sectorial agreement on telecommunications led to genuine new liberalisation. It is a good example of how the GATS ought to work."⁸² Now, will other sectors, such as electricity and water distribution, follow?

In the current trade negotiations, it is also the rapidly globalising retail sector, which has - next to world largest retail corporation Walmart (US) - a strong economic base in Europe. **EuroCommerce**, as a mixed trade association with individual members such as **Metro** and **Tesco**, and the **European Retail Round Table (ERRT)** have all made themselves heard and are welcomed with open arms: "European commerce fully supports the Commission's ambitious strategy for improved market access to services markets worldwide, and we count on the continued support of both the Commission and the European Parliament in the forthcoming - decisive - negotiating phase."⁸³ The European Commission repeatedly mentions retailing as a priority sector and heavily relies on Eurocommerce's inputs when drafting its GATS positions. It is mainly **Metro** and **Royal Ahold** that are involved in ESF lobby activities but the French **Carrefour** and the British **Tesco** also rank among the largest Global Players in the retail sector (see box 22 p. 30).

European companies have become very strong in some infrastructure services, such as energy and water services. After the privatisation backlash caused by some failures in developing countries and increasing resistance against privatisation, European TNCs have become very quiet in their lobbying activities. **Suez** has quit the ESF after a change of CEO, **RWE** has repeatedly spoken out against including water in the GATS and in November 2005, the company announced that it would sell Thames Water. Finally, **Veolia** is not vocal in the GATS debate

⁷⁵ Source: UNCTAD 2004: 329

⁷⁶ For further information on lobbying on GATS and telecommunication, cf. Woll 2003

⁷⁷ UNCTAD 2004: 66

⁷⁸ Ibid.: 67

⁷⁹ For an additional example of electricity privatisation and protests in Latin America (Tractebel/Suez in Peru), cf. Polaris Institute 2005: 11

⁸⁰ Ibid.: 63

⁸¹ ÖBFG 2003

⁸² Roberts 2005

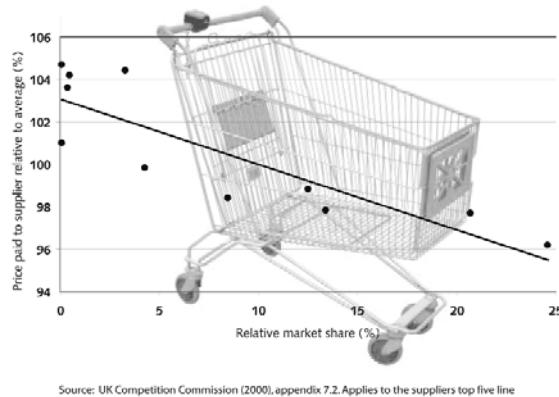
⁸³ Eurocommerce 2003

either, although it remains a member of the ESF. Nevertheless, the EU still has not withdrawn its requests on water distribution services to developing countries, so Suez and Veolia will probably continue their lobbying activities behind the scenes. Shortly before the Hong Kong WTO Ministerial, Suez' CEO Gérard Mestrallet signed an international CEO statement in support of the current WTO round of negotiations (see box 23, p. 30f).¹⁸⁴ In the energy sector, the European trade association Eurelectric has lost Enron as a strong free trade proponent from the other side of the Atlantic to push for a re-classification of the GATS list to explicitly include energy services.

Impact Box 22: A high price to pay - GATS and retailing

The retail sector is an important component within the global supply chain for food, garments and many other consumer products. With Carrefour, Metro, Tesco and Royal Ahold, European countries dominate the list of the largest global retail companies led by the US corporation Walmart. By pressuring for market access through the GATS negotiations, the EU aims to open up markets for those European retail companies that seek new markets outside the highly competitive and saturated European market. Recent mergers and acquisitions have created enormously powerful companies: 75% of all food bought in the UK, for example, is sold through just four companies (Tesco, ASDA/Walmart, Sainsbury and Morrison).¹⁸⁵ This concentration of power is replicated in many countries around the world and will further increase if the retail sector is further liberalised through the GATS. European companies have already gained market shares in Asia and Latin America. The impacts are disastrous. The establishment of European supermarkets in many cases leads to the displacement of local producers and local small-scale farmers who are unable to produce to the conditions of the foreign supermarkets – as the Thai government describes in an impacts assessment submitted to the WTO.¹⁸⁶ Research based on findings by UNCTAD and Oxfam shows that: "Marketing channels are becoming integrated under the control of trading, processing, or retailing companies based in the importing countries, while concerns about the safety of food and the conditions in which it is produced have created extra technical requirements. The standards of quality control or packaging required by modern supermarkets can be very hard for poorer countries to achieve, as they lack the technical skills or specialised equipment that are called for."¹⁸⁷ Two examples illustrate the risks of liberalisation of the retail sector in the current GATS negotiations:

The impact of supermarket buyer power on prices paid to producers



In Thailand, for example, the expansion of Tesco led to a political outcry, since it involved major losses in the local retailing and wholesale economy and created dependencies for small-scale producers and farmers. Despite stating otherwise in 2002, the Thai government announced in March 2005 that it would not adopt a zoning policy regulation, which would have made it possible to control the establishment of large retail stores. This change of government policy is understood to have resulted from lobbying by French chains such as Carrefour and Casino.¹⁸⁸ However, in 2002, Thailand had also received GATS requests by the EU to open up its retail sector. These requests most certainly increased the political pressure on Thailand not to impose any further regulations on the European retail companies.

Another example is India. India has a highly fragmented retailing infrastructure, dominated by millions of small shops, street traders and wet markets. Until recently, FDI in the retailing sector was not permitted. Slowly, India is now opening up its retail sector for foreign competitors. But European supermarkets are ready to conquer the Indian market – as reported by a retail lobbyist: "Such a large country with so many customers – our companies would be stupid not to have a closer look at the Indian market." Just like Thailand, India was also among the 60 countries which received EU requests to liberalise their retail sector within the GATS negotiations. In India's recent GATS offers, the government even offers a further commitment to bind the opening up of the retail sector under the GATS agreement. India's fragmented retail sector and its many small-scale farmers will soon face competition by the world's largest supermarkets and their pressure on the suppliers. The impacts might be disastrous.

A further increase of the concentration process through global expansion will also strengthen the market power of supermarkets in the global supply chains. The UK's Competition Commission found a clear link between retailers' market concentration and the prices they paid (see below).¹⁸⁹ High pressure on prices and quality, just-in-time production and strenuous working conditions will be the price that both employees and producers in the North as well as in the Global South will have to pay. But protest against the increasing power of supermarket chains is gearing up. In the UK, Tesco and Asda/Walmart are being attacked because of their dumping practices, which are detrimental to local farmers, producers in developing countries and the environment.¹⁹⁰ In Germany, the German discounting chain Lidl is the focus of campaigns by the services trade union Ver.di and by the alter-globalisation network Attac.¹⁹¹

Impact Box 23: GATS and the privatisation in the water sector: Some campaign successes?

Cooperation between DG Trade and the European Water TNCs has been very close as testified by an e-mail from DG Trade to four European water companies: "One of the main objectives of the EU in the new round of [GATS] negotiations is to achieve real and meaningful market access for European service providers for their exports of environmental services. Therefore, we very much appreciate your input in order to sufficiently focus our negotiating efforts in the area of environmental services."¹⁹² Environmental services including water distribution are an EU priority sector. In its initial request in the GATS negotiations, the EU asked for market access in water distribution from 72 countries, including Bolivia and South Africa, which had experienced major problems with the involvement of TNCs in their water sector. In its 2005 revised requests, the EU is again asking for liberalisation of environmental services, including water distribution and waste water treatment. The EU has repeatedly claimed that it has not requested any privatisation of the public water sector.

¹⁸⁴ Financial Times, November 8 2005: Last and best chance to move Doha round to a successful conclusion.

¹⁸⁵ Action Aid 2005b: 13

¹⁸⁶ WTO 2002

¹⁸⁷ Vorley 2003

¹⁸⁸ WTO 2002

¹⁸⁹ UK Competition Commission, cf. Vorley 2003

¹⁹⁰ <http://www.waronwant.org/?lid=10788>

¹⁹¹ www.attac.de/lidl-kampagne, www.verdi-blog.de/lidl

¹⁹² Published in Gould 2003



Nevertheless, opening up markets in the water sector will let the water companies and thus opens the door for privatisation.¹⁹³ Moreover, GATS commitments in the water sector would lock in existing privatisation that were imposed by the IMF or World Bank or driven by the EU, e.g. by promoting Public-Private-Partnerships. A further liberalisation of the water sector under GATS would undermine struggles for a functioning public water system.

But the EU's push for liberalisation of the water sector through the GATS has experienced some backlash. First of all, the impact of water privatisation through European water TNCs have often been disastrous. In many regions of the world, people protest against rising water prices, poor quality standards, detrimental impact on the environment and even cut-offs.¹⁹⁴ Suez's activities in Buenos Aires and Manila are just two examples of what in the end led to the retreat of the French company.¹⁹⁵ Secondly, under the slogan "Water is not for sale!", resistance against the privatisation and commercialisation of water services is growing, becoming well networked and organised around the globe.

Thus, while the EU still requests the liberalisation of the water sector worldwide, the image of European water companies is tarnished – due to an extensive, worldwide campaign for public access to water. Veolia, RWE and Suez are now very careful not to attract any publicity and are increasingly retreating from developing countries. And the corporate lobbyists know well what the campaign means for them, as stated by a services lobbyist: "The impact is that we will have less commitment in water management."

Summary: Devastating impacts on development and the environment

Agriculture, industrial products and raw materials and services – the largest European TNCs are active in all three of these sectors that are currently being dealt with in the WTO. These corporations are well represented through Brussels lobby groups: Agribusiness mainly through the CIAA, the services industry through the ESF, and the "NAMA lobby" in UNICE. The European Commission's position within the WTO negotiations is very close to what the largest European TNCs are demanding. By taking a closer look at European TNC activities all over the globe, the following picture emerges: Small-scale farmers are increasingly becoming dependent on a few agribusiness TNCs, and the liberalisation of trade in industrial goods may not only represent a barrier for the economic development of some of the poorest countries but could also further undermine environmental standards. In the services sector, the TNCs are trying to conquer those areas that are not yet already under the realm of corporate control, often resulting in higher prices and a loss of democratic regulation.

¹⁹³ For an analysis of the revised EU requests on water distribution, cf. Deckwirth 2005 (in German)

¹⁹⁴ For a record of failures of water privatization in developing countries, cf. www.wdm.org.uk/dadwmap.htm

¹⁹⁵ For detailed information on Suez, cf. Polaris Institute 2005, Public Citizen 2005 and www.stopssuez.org

6. Stop the EU corporate trade agenda! Counter-strategies on a pan-European level

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Whose trade policy?

Peter Sutherland, chairman of BP, former European Commissioner and former GATT director (see box 8, p. 16) was entrusted with the task of developing ideas on how to reform the WTO. When presenting his results at a lecture in Florence in July 2004, he described the function of trade policy and the WTO as follows: *"I have to say that the endless debates about international transparency – while probably valid – have not helped one single company anywhere to earn one dollar in export markets. And if the WTO is worth having, it is to give opportunities to companies and entrepreneurs."*¹⁹⁶ Similarly, a Brussels corporate lobbyist outlines the role of DG Trade: *"They work for trade and trade is about business. All the results of their work need to be for the benefit of business. We should not only be considered as one part of civil society but as a specific partner. [...] What they do is for us."* These views are based on a very narrow understanding of trade policy. As it functions now, the WTO is indeed about business and this is the common understanding of both corporate lobbyists and public officials working for DG Trade. But how can a policy issue that affects the lives of millions of people around the globe be considered as an issue that is *"first and foremost for the benefit of business"* – as former Trade Commissioner Leon Brittan puts it?¹⁹⁷

Trade policy must serve the people and the environment not only in Europe but globally. It should first and foremost be made with respect to human rights – and should not be dealt with in exclusive circles. Thus, a democratisation of trade policy on a European, but also on a national and global level, is an essential precondition to re-regulate the global trade regime. This will pave the way towards incorporating some alternative guiding principles into trade policy, producing: a) an internal market orientation instead of an export orientation, b) sufficient policy space instead of relegating more and more competencies to the WTO and c) policies serving the general public instead of a narrow "business first" corporate agenda.

Box 24: Halt the GATS - a successful pan-European campaign

At the start of the GATS 2000 negotiations, some NGOs and social movements slowly started to realise the threat to public services and other vital services through the EU's aggressive liberalisation agenda. The Seattle to Brussels Network soon coordinated what became a large pan-European campaign to halt the GATS negotiations. Some joint actions included public outreach seminars at the 2002 European Social Forum in Florence, a "Stop GATS" demonstration in Brussels in late 2002 and a joint European Day of Action in March 2003, featuring local actions coordinated on the same day in many European countries.¹⁹⁸ The focus of the campaign is privatisation and thus it is linked to anti-privatisation struggles around the globe, including the

Global South. In October 2005, mostly French, Swiss and Belgian groups organised a pan-European "GATS-free zones" meeting. Only a few weeks later, the movement was able to welcome a new member: the first Hungarian GATS-free zone. The campaign drew the GATS into the limelight, under public scrutiny. It also had some successes on the political level. The German national parliament, for example, passed an opinion in which it demanded the government to ask the Commission to withdraw the GATS requests on water distribution services from developing countries¹⁹⁹. And even Pascal Lamy was forced to recognise: "Civil society scepticism over the WTO system does continue to have an impact on public opinion, press and political institutions".²⁰⁰

Setting the people's agenda

Europe is not just made up of large TNCs, but consists of people – and it is they who need a strong voice in the EU. In a transnational society such as the European Union, this certainly represents a new challenge. But the critical European Civil Society does not need to start from scratch. Especially concerning trade policy, some encouraging links already have taken place and quite a few initiatives are active on a pan-European level. A good example of such a pan-European group is the Seattle to Brussels Network, a loose umbrella network for NGOs, local groups and social movements that are active on trade issues – including environmental groups, trade unions, church or women's groups, developmental NGOs or sections of the alter-globalisation movement. In the run-up to the 6th WTO Ministerial in December 2005 in Hong Kong, the Seattle to Brussels Network issued a statement featuring twelve key demands, including the following.²⁰¹

► **Regulate corporate activities and curb corporate influence!** The EU must promote legally binding rules for corporate accountability. The Commission must address the current lack of mandatory regulation on registration and reporting of lobby activities directed at EU institutions to enable democratic scrutiny of corporate influence over EU policy-making. Privileged relationships to big business should be ended to ensure that EU policies serve the interests of the general public, not the narrow commercial agendas of the large corporations.

► **Enhance transparency and democracy!** The EU must promote enhanced transparency and democratic participation and accountability in EU trade policy making. Consultations with national and regional parliaments and civil society groups should proceed on the premise that trade policy is a means of enhancing other policy goals. In view of the critical role of trade policy for sustainable development, other working groups on the environment and development should be formally consulted in the course of trade negotiations, and

¹⁹⁶ Sutherland 2004

¹⁹⁷ European Commission 1998

¹⁹⁸ www.gatswatch.org

¹⁹⁹ Deutscher Bundestag 2003. However, despite this opinion, the German government never asked the European Commission to withdraw the requests.

²⁰⁰ European Commission 2004: 27

²⁰¹ For the full statement, cf. Seattle to Brussels Network 2005, www.s2bnetwork.org/s2bnetwork/download/12%demands.pdf?id=87

proceedings of the Committee 133 be made fully transparent.

- **Ensure people's food sovereignty!** The EU must a) defend a ban on any form of subsidy used to export under the production costs at the international level (including the present use of the green box), b) defend the right of all countries to protect themselves from excessively cheap agricultural import, c) defend the right of all countries or unions to support agriculture when not being exported below production costs ,and d) guarantee the right of European Governments and the rest of the world to remain GMO-free.
- **Stop the assault on livelihoods and the environment in the NAMA negotiations!** The EU should halt the NAMA negotiations and agree to a full and independent review of NAMA's potential impacts on economic development, industrial diversification in developing countries, the environment and social welfare (including employment, health and gender balance). The EU should recognize and guarantee governments' domestic policy space and flexibilities preserving their right to use pol-

icy tools, including trade measures, that develop fair and sustainable economies, protect and promote employment, social welfare, health and the environment, guarantee public participation and promote resource conservation and the sustainable management of natural resources, including by stopping the further liberalisation of trade in natural resources such as forests, fish, oils, gas, metals and minerals.

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- **Stop the GATS power play against citizens!** The EU must stop pursuing the introduction of benchmarks or other changes in the negotiation process which force developing countries to make precipitated commitments in specific sectors. Essential services, such as water, energy, education and health, whose access is important for human development and women's empowerment, must be excluded from the negotiations. Any continuation of service negotiations must be preceded by comprehensive national policy making processes involving all affected constituencies domestically and the public at large, and all requests and offers must be made fully public without delay.

A B B R E V I A T I O N S

ACEA	European Automobile Industry	GDP	Gross Domestic Product
ALTER-EU	Alliance for Lobbying Transparency and Ethics Regulations in the European Union	GMO	Genetically Modified Organisms
AmCham EU	EU Committee of the American Chamber of Commerce	ICC	International Chamber of Commerce
AoA	Agreement on Agriculture	ICCA	International Council of Chemical Associations
BDI	Bundesverband der deutschen Industrie	ICRT	International Communications Round Table
BI	British Invisibles	IFPMA	International Federation of Pharmaceutical Manufacturers' Associations
CAP	Common Agricultural Policy	IFSL	International Financial Services London
CBI	Confederation of British Industry	ILO	International Labour Organisation
CEFIC	European Chemical Industry Council	IMF	International Monetary Fund
CEO	Chief Executive Officer or Corporate Europe Observatory	LOTIS	Liberalisation of Trade in Services
CIAA	Confédération des industries agro-alimentaire de l'UE	LSE	London School of Economics
COPA	Committee of Professional Agricultural Organisations in the European Union	MEDEF	Mouvement des Entreprises de France
COGECA	General Confederation of Agricultural Co-operatives in the European Union	MEP	Member of European Parliament
CTHA	Chemical Tariff Harmonization Agreement	NAFTA	North-American Free Trade Agreement
DDA	Doha Development Agenda	NAM	National Manufacturers Association
DG	Directorate General	NAMA	Non-Agricultural Market Access
ECSG	European Community Services Group	NGO	Non Governmental Organisation
EEC	European Economic Community	NTB	Non-Tariff Barriers
EFPIA	European Federation of Pharmaceutical Industry Associations	OECD	Organisation for Economic Co-operation and Development
ENA	Ecole nationale d'administration	PA	Public Affairs
EP	European Parliament	PR	Public Relations
EPA	Economic Partnership Agreement	REACH	Registration, Evaluation, Authorisation of Chemicals
EPC	European Policy Center	RWE	Rheinisch-Westfälische Elektrizitätswerke
ERRT	European Retail Round Table	SAP	Structural Adjustment Programmes
ERT	European Round Table of Industrialists	SIA	Sustainability Impact Assessments
ESF	European Services Forum	SME	Small and Medium Sized Enterprises
ETNO	European Telecommunications Network Operators' Association	TABD	Transatlantic Business Dialogue
ETSN	European Tradable Services Network	TNC	Transnational Corporation
EU	European Union	TRIPs	Trade-Related Intellectual Property Rights
EPC	European Policy Centre	UNCTAD	United Nations Conference on Trade and Development
FAO	Food and Agriculture Organization	UNICE	European employers' federation
FDI	Foreign Direct Investment	UPS	United Parcel Service
FTA	Foreign Trade Association	USCSI	US Coalition of Services Industries
GATS	General Agreement on Trade in Services	USTR	United States Trade Representatives?
GATT	General Agreement on Tariffs and Trade	VCI	Verband der Chemischen Industrie
		VNO-NCW	Confederation of Netherlands Industry and Employers
		WTO	World Trade Organisation

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THE SEATTLE TO BRUSSELS NETWORK – TAKING ACTION AGAINST CORPORATE GLOBALISATION

The Seattle to Brussels (S2B) Network is a pan-European NGO network campaigning to promote a sustainable, democratic and accountable system of trade that benefits all. Our network includes development, environment, human rights, women's and farmer's organisations as well as research institutes. The S2B network has formed in the aftermath of Seattle to challenge the corporate-driven agenda of continued global trade and investment liberalisation of the European Union and other European governments. S2B has also developed as a response to the increasing need for European co-ordination among NGOs. Active groups in the Network are all supporters of the "Our world is not for sale" Statement. In this statement groups call on governments to roll back the power and authority of the WTO and to develop a sustainable, socially just and democratically accountable trade system.

Contact: info@s2bnetwork.org

Web: www.s2bnetwork.org



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Attac France

Corporate Europe Observatory (CEO)



Friends of the Earth England, Wales and Northern Ireland



Friends of the Earth Europe

World Development Movement



11.11.11. - Coalition of the Flemish North-South Movement

Attac Denmark



Attac Hungary



Coordination Paysanne Européenne (CPE)



Friends of the Earth Denmark



Friends of the Earth Germany



Initiative Colibri



Tradewatch Italy



Védegylet/Protect the Future



War on Want



Women in Development (WIDE)

World Economy, Ecology and Development (WEED)