

Who Controls EU Trade and Investment?

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Introduction

In contradiction with its lofty rethoric about “harnessing globalisation”, the EU continues to shape its international trade policies around the ‘offensive interests’ of major EU-based corporations. The Asia-Europe Business Forum (AEBF), through which corporations enjoy privileged power over the ASEM process, is only one of many examples.

The EU's 'Double Revolution'

Over the past 15 years, European unification has entered the fast lane with the completion of the Single Market, the adoption of a single currency and the overall empowerment of the EU institutions. Transnational corporations (TNCs), working both individually and within various lobby groups, have become powerful political actors in influencing and shaping European Union decision making.

Baron Daniel Janssen, head of the Solvay corporation and a prominent member of the European Roundtable of Industrialists (ERT), describes what he sees as a “double revolution” taking place in Europe: on the one hand the sweeping neoliberal restructuring of societies through privatisation and deregulation and on the other hand the transfer of decision-making “to a more modern and internationally minded (read: business-friendly) structure at European level”. This **revolution** has been expedited by lobby groups like the ERT, representing the largest transnational corporations in Europe.(1)

The ERT is without doubt the most influential corporate lobby group, bringing together some 45 captains of industry from Europe's largest TNCs. More than just another industry pressure group trying to benefit from European integration, the ERT was formed with the express intention of reviving the unification process and shaping it to the preferences of the largest European corporations. (2) The ERT threatened that the EU wide economy would collapse unless an empowered European Union provided industry with a borderless single market, investments in highspeed transport infrastructure and other operating conditions that were at least as business-friendly as in Japan and the US. Through its privileged access to both national governments and the European Commission (the EU's “government”), the Roundtable has performed an agenda-setting

role at the EU level, pushing for deregulation, liberalisation and other measures to subvert all levels of society to market forces and the increasing pressures of global economic competition.

The ERT's message is reinforced by a chorus of other corporate lobby groups in Brussels, led by the European employers' organisation UNICE and the EU Committee of the American Chamber of Commerce (AmCham). Although less proactive than the ERT, UNICE and AmCham have also succeeded in sculpting the emerging body of European law by closely monitoring and advocating for or against EU policies relevant to business.

The Brussels 'Bureacratic-Industrial Complex'

Rather than corporations imposing their agenda, the last two decades have seen the rise of a virtual symbiosis between the EU's key political and economic actors. The European Commission began to engage industry in strategic alliances in the mid-1980s, and has since actively encouraged the involvement of large corporations and pan-European industry associations in the Brussels political apparatus. As US academic Maria Green Cowles points out, "By working closely together, the companies and the Commission present the member states with a negotiating strategy 'pre-approved' by European industry." In the 1980s Commission President Delors worked successfully with the ERTs corporate heavyweights to gather support for the proposed European Single Market and Monetary Union among European governments. A prime example of the European corporate-state alliance in action was the strong involvement of the ERT in the preparation of the EU's so-called 'Jobs Summit' in Lisbon (March 2000). (3) A milestone on the road towards neoliberal restructuring of European societies, the summit adopted an action plan of urgent structural reforms aimed to transform the EU into the 'most competitive and dynamic knowledge-based economy in the world' by 2010. Among the far-reaching measures were the full liberalisation of energy, transport, telecommunication and postal services markets as well as further neoliberal reforms of labour markets and pension systems. Despite the negative social and environmental impacts of the planned liberalisation and privatisation policies, the two following EU Spring Summits (March 2001 in Stockholm and March 2002 in Barcelona) have confirmed these trends and advanced the implementation of the Lisbon agenda. (4)

The most recent example of the Commission's unhealthy appetite for strategic alliances with big business is the European Business Summit, which was held in June 2002 in Brussels. (5) The event, dubbed the "most important European dialogue between leading business people and policy makers", brought together over 2,200 people from the corporate world, governments and EU institutions as well as a handful of NGO representatives. The Commission was not only present in large numbers but effectively co-organised the event. This high-profile gathering of thousands of business people demanded more power to the Commission in the next EU treaty and insisted on speeding up neoliberal reforms.

Revolving Doors

The extent of cooperation with business varies within different Commission directorates, but the phenomenon appears only to be increasing. The ERT's Baron Janssen describes the Commission as "extremely open to the business community, so that when businessmen like me face an issue that needs political input we have access to excellent Commissioners such as Monti for competition, Lamy for world trade, and Liikanen for electronic commerce and industry". The close relationship between the Commission and big business is underscored by

frequent job-hopping between the two, whether it is industrialists becoming Commissioners or Commissioners finding new jobs in industry. Since leaving the Commission in 1999, former Trade Commissioner Lord Leon Brittan of Spennithorne was appointed vice-chairman of the investment bank UBS Warburg, joined London-based law firm Herbert Smith as a consultant on WTO issues and became Advising Director at Unilever. Since 2001, Brittan is now also chairman of the LOTIS Committee of International Financial Services London (IFSL), a lobby group representing the UK financial industry. The former commissioner is now busy lobbying the EU on the WTO negotiations over liberalisation of services. The LOTIS group hit the headlines in late 2001, when it was revealed that it had secret meetings with the UK government, which not only passed them sensitive information on the services negotiations but also engaged in joint strategising on how to respond to the civil society campaigns against the General Agreement on Trade in Services (GATS).

Over 15,000 professional lobbyists roam the corridors of the European Commission, Council and Parliament buildings, the vast majority of them from PR firms, industry lobby groups and individual companies. The total spending on lobbying in Brussels is likely to exceed that of Washington D.C., until now the undisputed global capital of corporate lobbying. Brussels hosts an estimated over 500 industry lobby groups, from sectoral groupings representing the biotech, the chemical, the arms or the nuclear industry, to business groups set up to influence legislation on a specific issue, such as incineration of waste or the use of PVC. The continuous centralisation of power (from the national level to European institutions) and the resulting democratic gap has provided large corporations with an enormous advantage in the European political arena. More and more decision making power shifts to two highly untransparent EU institutions, the European Commission and the Council of Ministers, which is made up of national government ministers. Organisations like the European Roundtable of Industrialists are in a highly privileged situation, as the prestigious leaders of their powerful member corporations are granted easy access to both high-level Commission officials in Brussels and governments in the various capitals around Europe. The power of industry lobby groups is built exactly on their ability to access the European Commission and mobilise traditional corporate-state alliances on the national level that remain strong.

The EU is simultaneously reshaping European societies to become 'internationally competitive' and actively promoting economic globalisation through bilateral and global trade deregulation. Despite a thick layer of 'feel good' pro-globalisation rhetoric, the goals of the EU's international trade and investment policies are propelled by a craving to ensure unfettered market access around the world for European-based TNCs. A similar logic rules the policies adopted by other major global powers, and the predominant political blocs have joined forces within the World Trade Organisation to dismantle barriers to trade and investment in the countries of the South. Decision making on international trade and investment policies is arguably one of the areas where the EU's democratic gap is most pronounced. The European Commission has the agenda setting role, negotiating for EU member states in bodies like the WTO. The bulk of the EU's decisions on trade and investment are made in the powerful '133 Committee', which consists of trade officials from member states and Commission representatives. Although the European

Parliament is informed, it lacks decision-making power (and a critical perspective) on external trade policies. Also the national parliaments fail to exert effective control over their EU trade ministers. In its campaigning for international trade and investment deregulation, the Commission works very closely with large European corporations and their lobby groups. The Commission and corporations share nearly identical visions for the role of the EU in the world. This is crystal clear in the case of Commission policies within the World Trade Organisation (WTO). The European Commission has since 1998 campaigned for a sweeping new round of WTO negotiations to pursue further trade and investment liberalisation, originally labelled 'Millennium Round'. The WTO's November 2001 Ministerial Conference in Doha, Qatar, resulted in the launch of a new WTO round, often misleadingly referred to as the "Doha Development Agenda". The term comes from Trade Commissioner Pascal Lamy, who excels in the use of 'sustainable development' rhetoric to sell the EU's neoliberal trade agenda. Although he is a member of the French Socialist Party and has a habit of boasting about his progressive credentials, Lamy has consolidated the EU's disastrous habit of shaping international trade policies around the offensive interests of large TNCs. Despite the massive protests in Seattle and at virtually every other major international trade summit in the last few years, the EU continues to essentially ignore the fundamental social and environmental flaws of corporate-led globalisation.

{{Servicing EU Corporations}}

In its campaign for a new Round, the Commission has not only been freshening up its connections with European industry, but also actively encouraged the creation of new business structures to build support for the WTO round and to deliver input into the negotiations. The first steps towards an increasingly symbiotic EU-business relationship on international trade issues were taken during negotiations on the WTO Financial Services Agreement in 1997, where the Commission worked in tandem with the industry coalition Financial Leaders Group. The Commission's close cooperation with business is modeled after the example of the US government-industry liaisons in the WTO arena. In the run-up to Seattle, the European Commission coordinated its campaign for investment negotiations in the WTO with the Investment Network (IN), an "informal network" of business representatives initiated by the EC in 1998. The IN, representing Fiat, ICI, Daimler-Benz, Carlsberg, British Petroleum, Rhone-Poulenc and some 45 other corporations, was set up to identify the priorities of large European corporations for a WTO investment agreement. (6) The Commission also encouraged European corporations in the services sector to set up a European Services Forum (ESF), with the task to "advise European Union negotiators on the key barriers and countries on which they should focus on" in the WTO negotiations on services. (7) Right from the start the Commission's negotiating strategy was carefully shaped around corporate priorities, particularly the issue of unlimited access to Southern markets. The Commission has also on several occasions given detailed information to the ESF on the state of the GATS negotiations and the EU's internal preparations of the EU GATS requests, which are now being kept secret to civil society at large. A series of leaked confidential documents confirmed the Commission's intentions to use the GATS talks to deregulate and de facto privatise essential services, particularly in the South. (8) The documents show that the European Union intends to ask all WTO member states to open up the water sector (including water collection, purification, distribution and wastewater treatment) for international competition. Water in developing countries is a major target

for European corporations like, Suez, Vivendi (both French companies) and Thames (a UK company). Meanwhile the Commission refuses to make its requests and offers in the GATS talks available to the public.

The Commission's often secretive cooperation with business has been complemented with a charm offensive towards 'civil society', including a highly publicized, but far vaguer parallel process of 'dialogue'. Many groups see these supposed 'dialogues' as little more than window-dressing, for instance because the fundamental nature of the EU's international trade agenda, including the pros and cons of a new WTO round, is not up for discussion. Other NGO structures have however failed to keep a critical distance from the Commission and its campaign for a new WTO round, which has enabled the Commission to successfully play divide-and-rule, claiming **civil society** support for a new WTO round and labeling those who oppose it as "extremists". (9)

The EU's International Business Dialogues

Another major corporate structure with a large say in EU's trade policies is the Transatlantic Business Dialogue (TABD), a striking example of corporate-political synergy. Through the TABD, EU and US based corporations develop government policy recommendations, which both governments in turn do their utmost to implement. In both Washington DC and Brussels, the TABD's access to the political process is remarkably institutionalised. (10) The primary aim of the TABD is to build an integrated transatlantic marketplace and to develop and steer EU-US leadership in international trade negotiations such as within the World Trade Organisation (WTO). The TABD was initiated by (parts of) the European Commission and the US government which saw such a body as providing momentum for their political agenda and increasing their power. In the words of then EU Commissioner for trade, Sir Leon Brittan, (along with EU Industry Commissioner Bangemann the TABD's main patron in the EC) "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 to be done next. If they could, governments would be hard put to explain why it couldn't be done. The result was dramatic. European and American business leaders united in demanding more and faster trade liberalisation. And that had an immediate impact..." (11)

Mirroring the TABD model, the Commission has encouraged the emergence of numerous similar international business structures operating in parallel to its negotiations with Latin-American countries, Russia, Japan and the Asia Europe Meeting (ASEM) process, which involves ten East-Asian governments. (12) In the case of ASEM, the European Commission played an active role in initiating the Asia-Europe Business Forum (AEBF). AEBF brings together business leaders from the EU and the Asian ASEM countries to develop recommendations to the government summits. (13) The corporate wish-lists are drawn up by working groups on diverse issues like trade, investment, infrastructure and food. "The dialogue provides a unique opportunity to influence the political elite as the recommendations from AEBF are highly appreciated in the ASEM meetings between the participating heads of states and governments from Asia and Europe," reads the AEBF website. A key focus of the infrastructure working group is to promote the private involvement in delivery of public services, such as water services. The 6th AEBF, held in Singapore in October 2001, was attended by over 500 business people and government representatives. The European Commission plays a key role in ensuring that the AEBF is revived from one ASEM summit to another, expecting the involvement of business leaders to add momentum to ASEM and particularly the EU's own neoliberal ambitions for the process.

The Good News

The opposition to the excessive economic and political power of TNCs has grown dramatically in recent years, as part of a vibrant global movement against corporate globalisation. Not only international economic summits (EU, WTO, IMF and World Bank, G8, etc.) are met with a cornucopia of demonstrations and actions, also gatherings of powerful corporate lobby groups are increasingly targeted by protesters. NGO coalitions are putting strong pressure on the EU to roll back the privileged powers of bodies like the ESF and the TABD. More pressure is needed, however, before governments realise that shaping trade policies around corporate priorities is fundamentally at odds with environmental and social justice, let alone democratisation of decision-making.

References

1 The quote by Baron Daniel Janssen is from his speech to the Trilateral Commissions meeting in April 2000 in Tokyo, "The Pace of Economic Change in Europe", to be found at the Trilateral Commission website. 2 See for instance Europe Inc.; Regional and Global Restructuring and the Rise of Corporate Power, Belen Balanya, Ann Doherty, Olivier Hoedeman, Adam Ma'anit and Erik Wesselius / London: Pluto Press, January 2000. The book is available through bookshops, but can also be ordered directly from Pluto Press. 3 ERT Moves to Next Phase in Europe's 'Double Revolution', Corporate Europe Observer, Issue 7 (October 2000). 4 Barcelona Summit: Neoliberal Reforms, Lip Service to the Environment, Corporate Europe Observer, Issue 11 (May 2002). 5 Discount-Davos", Corporate Europe Observer, Issue 12 (August 2002). 6 How the EC and Business Prepared for WTO Investment Talks in Seattle, Corporate Europe Observer, Issue 6 (April 2002). 7 Behind GATS2000: Corporate Power at Work, GATSwatch briefing (June 2002) [pdf document]. 8 Leaked Confidential Documents Reveal ECs Neoliberal GATS Agenda, Corporate Europe Observer, Issue 11 (May 2002).

9 NGOs chose to stay involved in the dialogues either because they are satisfied with being briefed and listened to or because they expect to get a part of their often very narrow reform agenda fulfilled through such a new round.

10 TABD in Troubled Water, CEO Issue Briefing, October 2001, and Putting the Business Horse Before the Government Cart, Corporate Europe Observatory Briefing Paper, October 1999.

11 Sir Leon Brittan in his speech "Investment Liberalisation: A New Issue for WTO. Europe and the Challenge of the Global Economy at the CBI Conference, Harrogate", 11 November 1996.

12 EU-Japan Business Dialogue Round Table (EJBDRT), EU-Russia Industrialists' Round Table (IRT), EU-Latin American Business Forum.

13 See for instance www.aebf.dk.

P.S.

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