

The Transnational Capitalist Class and Global Politics: Deconstructing the Corporate–State Connection

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ABSTRACT. Transnational corporations (TNCs) engage in a variety of political activities that take place at all levels of the political sphere, from community and urban through national to global politics, and involve many different groups of actors. This article addresses two sets of questions: (1) What forms do these activities take? (2) Do they enhance or undermine democracy? The systemic organization of politics for global capitalism is conceptualized in terms of a transnational capitalist class (TCC). The role of this class is analyzed through three brief case studies: Codex Alimentarius, the Multilateral Agreement on Investment, and the global tobacco industry.

Keywords: Globalization • Multilateral Agreement on Investment • Tobacco industry • Transnational capitalist class • Transnational corporations

Introduction

Transnational corporations (TNCs) clearly engage in political activities of various types, but the exact forms of these engagements and the roles of the various actors in them have not been subject to a great deal of systematic research.¹ These political activities take place at all levels of the political sphere, from community and urban, through national to global politics and involve many different groups of actors, from government, from political parties and from what we might call the “service industries” of politics. In this article I shall focus on global politics, and attempt to address two sets of questions: (1) What forms do these activities take? and (2) Do they enhance or undermine democracy? It is a commonplace to argue that in the age of capitalist globalization, in most countries political parties rarely make any significant difference because no political party that seriously challenges

capitalist globalization stands much chance of being elected (or if elected, much chance of hanging onto office). If we accept this argument, then the focus turns to the global political system as a whole rather than the parts of the system described by national politics.

While TNCs have always been political actors, the demands of economic globalization require them to be political at the global level in a more systematic sense than previously. The political action of TNCs at the global level, like most political actions, is a mixture of the haphazard and opportunistic on the one hand, and well-organized and systemic behaviour on the other. One way to capture this theoretically is to conceptualize the systemic organization of politics for global capitalism in terms of a transnational capitalist class (TCC). The material base of this class is in the corporations they own and/or control. In my formulation the TCC is composed of four main, interlocking groups:

- Corporate executives and their local affiliates (the corporate fraction);
- globalizing bureaucrats and politicians (the state fraction);
- globalizing professionals (the technical fraction);
- merchants and media (the consumerist fraction).

While each of these groups performs distinct functions, personnel are often interchangeable between them. Key individuals can belong to more than one fraction at the same time, and the transition from membership of one to another group is more or less routinized in many societies.²

Historically, the relationship between the economic power and the political power of TNCs has been very controversial. The involvement of ITT in the bloody coup against the government of President Salvador Allende in Chile in 1973, for example, was one of a small number of exceptions rather than the rule in the second half of the twentieth century. Research on organizations influential in regional and global politics suggests that major corporations are currently using more subtle methods to achieve political objectives that will serve their economic interests. The European Roundtable of Industrialists (ERT) is a typical example of how this process operates, and how the corporate interest can shift the emphasis of policy-making even in a rich and powerful coalition of states like the European Union, with substantial implications for global politics (CEO, 1997). ERT was founded in 1983 by a group of visionary captains of industry, notably Agnelli of Fiat, Dekker of Philips, and Gyllenhammer of Volvo, and performs an agenda-setting role in European institutions for global free trade and competitiveness. It is comprised of the leaders of around 45 TNCs, prominent among which in the 1990s were BP, Daimler-Benz, Fiat, Shell, and Siemens, all globalizing corporations.

The European Centre for Infrastructure Studies, an offshoot of ERT, is said to have been instrumental in persuading the European Commission to establish the Trans-European Networks (a program of 150 environmentally sensitive infrastructure projects), by-passing the European Parliament. Founded by Umberto Agnelli of Fiat in 1994, it brought together regional and national governments, municipalities, EU institutions, research institutes, banks and corporations. In a very familiar pattern for globalizing elites, former European Commissioner V-P Henning Christopherson joined the Board of the Centre when he left the Commission. So, it is not too far-fetched to argue that corporate interests are, at least, highly influential in the making of EU transport policy. One central consequence of the political efficacy of the co-ordinated power of TNCs is the failure of governments everywhere to shift the balance from private cars and

lorries to public transport and rail freight, despite almost universal rhetoric on the need to do this.³ CEO (1997) gives two telling examples: (1) German milk is freighted to Greece to be made into feta cheese and then sent back to Germany for sale; and (2) in the 1960s, Unilever had soap factories in most European countries, now there is just one huge factory in England to supply all of Europe. So, dairy products companies in Germany and Unilever in Britain contribute to the enormous increase in long distance transport of goods through Europe because lean production and Just-in-Time deliveries (key concepts in economic globalization) make production much more “efficient” for producers, and in a sense also for consumers if the real price of products actually falls with no decline in quality, but “inefficient” for essential road users and all those who lose jobs, and in the long term, for our relationships with the environment. Such practices are, of course, not confined to Europe.

In 1995, the EU and the US government in consultation with over 1200 corporations active in the US and the EU, established a Transatlantic Business Dialogue (TABD) to pursue globalization-friendly policies. According to its US Business Coordinator: “TABD is a private-sector force designed to respond to the new reality of trade; namely that companies are functioning globally and their involvement in the making of international trade policy is a natural outgrowth of such globalization” (cited in CEO, 1997: 28). This is, of course, one small organization among thousands of others, but its leading personnel included one European Commissioner (Sir Leon Brittain), senior executives from major European and US corporations, high officials from the US Treasury and State Department, and the former GATT Secretary-General, Peter Sutherland. Organizations such as these can be found in many parts of the world, for example, within the networks of the International Chamber of Commerce and the many overseas branches of national chambers of commerce, the World Economic Forum and, also, now within the UN system (see Karliner, 1999).

This article discusses three examples of how the economic and political powers of TNCs are related in different spheres of global politics. These are, first, the operation of the Codex Alimentarius Commission, where corporate power is exercised in the global politics of food. Second, the temporary defeat for corporate interests in the campaign for a Multilateral Agreement on Investment is instructive for the global politics of investment. Third, the ongoing struggles of the global tobacco industry to resist the coalition against it is a vivid illustration of the global politics of regulation (with a strong dose of cultural politics intermingled).

Codex Alimentarius

Codex was established in 1963 with the express purpose of facilitating world trade in foods through the establishment of mandatory international standards. Clearly, under some circumstances, this could result in food standards (for hygiene, nutrition, safety and so on) being raised all over the world to those of the strictest regulatory authorities or, conversely, reduced to some set of lowest common denominators (see Public Citizen, 1997: 38–42). One of the key issues that has exercised Codex over the years is the fact that countries that impose the highest standards of food safety and quality and those with the lowest standards are both accused of unfair trade practices. Potential conflicts between the safety and quality regulatory tasks of Codex, on the one hand, and the facilitation of global trade tasks on the other, are endemic to the organization. Thus, it is important to know

who, exactly, makes the policies that governments and intergovernmental organizations generally take as their benchmarks for food.

Codex is an intergovernmental body run by the FAO and the WHO and they take turns to host biennial Commission meetings in Rome and Geneva. According to the official guide to Codex history and practices:

Representation at sessions is on a country basis. National delegations are led by senior officials appointed by their governments. Delegations may, and often do, include representatives of industry, consumers' organizations and academic institutes. . . . A number of international governmental organizations and international NGOs also attend in an observer capacity. Although they are "observers", the tradition of the Codex Alimentarius Commission allows such organizations to put forward their points of view at every stage except in the final decision, which is the exclusive prerogative of Member Governments (FAO/WHO, 1999: 13).

Much is made of the openness of Codex procedures (notably country Codex Contact Points and National Codex Committees) and the overall impression is of commendable transparency, joined-up intergovernmental thinking and genuine representation in this most vital area of public policy. However, when we probe beneath the surface a rather different picture emerges.

A first clue that the system is not as even-handed as it appears comes from Codex USA (located in the department of agriculture, a case, some might argue, of poacher turned gamekeeper). While observer status is important, membership of the official government delegations is the key to understanding the decision-making process. Guidelines issued by the US Codex office explain the process of the selection of delegates to Codex meetings in more detail. US delegates to Codex are government officials from the lead agencies involved (USDA, FDA, EPA and Commerce).

The delegates develop US positions on issues to be considered. All interested parties are invited to provide information and comments on the issues. As the delegates prepare for the meetings of their committees, they form delegations comprising individuals whose support they think necessary at the meetings. These individuals participate as members of the official US Delegations, at their own expense.⁴

The maximum for each delegation is 25 persons per committee and the criteria that govern selection of non-governmental members to delegations are (1) obtaining informed views; (2) whether opportunities to provide written comments would be an adequate alternative; and (3) provision of balanced representations of all interested parties. Individuals and representatives wishing to become "members of the United States delegation" are invited to contact the US delegate or Codex manager, who will consider all requests, may seek volunteers and "may identify and solicit for membership . . . from labor groups, the academic community, trade associations, specific business firms, public interest groups, and from other sources, including the public at large." Non-government members of the delegation are expected to attend all Codex committee sessions, be available to assist the US delegate, and attend meetings called by the US delegate. Thus, being a non-government member will be an expensive and time-consuming responsibility.⁵

In the only systematic study of Codex to date, Avery and her colleagues (Avery,

Drake, and Drake 1993) documented the affiliations of the 2 578 people who participated in the 1989–91 session of Codex. In the 12 specialist committees in which the work of this session was conducted, 105 governments and 140 food and agrochemical companies were represented. In addition to those representing national governments, there were 660 industry representatives compared with a mere 26 from public interest groups. One of the largest food corporations in the world, Nestle, had 38 representatives, more than most countries. At the two meetings on food additives and contaminants, 41 percent of those present were from TNCs and industry federations; and at the meetings on pesticide residue levels, 127 (33 percent) were from TNCs compared with 80 from all the developing countries.

In the 1989–91 session the US policy for selection of delegates produced a total of 243 delegates, of whom two came from NGOs, ten were consultants, 112 were from the US government, and 119 (49 percent of the total) came from industry. Overall, industry supplied 35 percent of the membership of the ten largest national delegations and 22 percent of all delegates. Overall, only eight NGOs provided members of delegations, four in the Canadian delegation and two each in the US and Netherlands delegations. Industry supplied 61 percent of the delegation from Switzerland, 44 percent of the Japanese, 40 percent of the French, 34 percent of the German, 31 percent of the British, 23 percent of the Canadian, 22 percent of the Italian, and 21 percent of the Dutch delegations, reflecting the global importance of food industry corporations domiciled in these countries. Most of the major food TNCs (led by Nestle, and including Philip Morris/Kraft, Unilever, Pepsico, Coca-Cola, Heinz, and CPC International) and agrochemical TNCs (including Ciba-Geigy, ICI, Rhone Poulenc, Bayer, Dupont, Dow, Monsanto, Hoechst, Shell, and Sumitomo) were represented on Codex committees, some of them as official delegates (see Avery, Drake, and Drake 1993: Tables 5.1.1, 5.3.1, 5.4.1, 5.5.1, and Appendix Tables 5, 6 and 7).

Rather disingenuously, the official Codex Guide informs us that “a feature of the committee system is that, with few exceptions, each committee is hosted by a member country, which is chiefly responsible for the cost of the committee’s maintenance and administration and for providing its chairperson” (FAO/WHO, 1999: 15). This system generally results in most of the meetings being held in and financed by groups in first world countries in which the major food industry corporations are domiciled. Examples of this are clearly to be seen in the 1999–2000 meetings of the commodity committees. The Fish and Fishery Products committee was hosted by Norway; Milk and Milk Products, and Meat Hygiene by New Zealand; Cocoa and Chocolate, and Natural Mineral Waters by Switzerland; Processed Meat and Poultry Products by Denmark; Fats and Oils, and Sugars by Britain; and Processed Fruits and Vegetables, and Cereals by the United States. The only exception was Mexico, which hosted Fresh Fruit and Vegetables, of which it is a major exporter to the United States. While Codex gives some prominence to the role of consumers and their organizations in formulating policy on food, it is very wary of encouraging this role at the global level. Indeed, the Guide specifically states: “The Commission has continued to involve consumer interests in its work while recognizing that it is at the national level that consumers can make their most valuable and effective input” (FAO/WHO, 1999: 22). The Codex strategy is one of ensuring that consumer input is safely channelled through national governments.

The last point to be made about the Codex process as an exemplar of how the

transnational capitalist class works in global politics concerns the role of the globalizing professionals, the food scientists and technologists on whom the whole activity is said to rest. "From the very beginning, the Codex Alimentarius has been a science-based activity" (FAO/WHO, 1999: 27). This is, of course, not quite as simple as it sounds. The history of the links between science, big business and public policy and, in particular, the "cheap food" policy on which most capitalist industrialized societies are based, suggests that science-based corporations are sometimes reluctant to err on the side of caution (the precautionary principle) at the expense of their short-term profits. Governments always have to balance out the interests of consumers in the safety and quality of what they consume, the interests of food industry workers, and the interests of who own and control the food companies. The scientists (the technical fraction of the TCC in this case) provide the technical basis for decisions but when the scientists differ (as, for example, was for many years the case in the debate over the health risks of smoking) governments, industry and consumers in the main tend to accept the least costly and most reassuring conclusions (at least until it is too late).

Preliminary evidence from the 1999–2001 round of Codex deliberations suggests that, despite some very well-publicized and costly failures in the global food system (in terms of both human and animal health and industry profits), nothing much has changed in the last decade. The Food Labelling Committee that met in Ottawa in May 2000, for example, consisted of more than 200 official participants attached to member country delegations and over 60 observers, five from international governmental organizations and about 50 from NGOs (including industry groups). Of the official country participants, 48 were from TNCs and/or industry associations, while only four were from NGOs (mostly consumer protection organizations). Of the NGOs, 13 were from citizens or consumer groups of various types while at least 35 were industry associations. Codex produced a list of Observer Organizations participating in its activities in June 2000 that shows a similar distribution. In addition to intergovernmental organizations (including UNCTAD, OECD, and the WTO), almost 150 international NGOs were listed. Of these over 80 were clearly industry associations, there were perhaps ten consumer groups, and the rest were technical organizations of various types, some of which may be controlled by corporate interests.⁶

Precisely the types of disasters (BSE, food poisoning, and contamination) and ongoing problems (pesticide residues, inadequate and misleading food labelling) that Codex was established to prevent, are still with us (Public Citizen, 1997). The next big battle will be over genetically modified organisms (GMOs) and while Monsanto and other major biotechnology corporations suffered setbacks to their plans in the late 1990s (see Sklair, 2001: chap. 7) GMOs are still very much on the agenda. Despite campaigns by consumer groups and professionals independent of the TNCs for reforms to the Codex process, there are no signs that WTO procedures will diminish the ability of food and agrochemical TNCs to cut corners with nutritional quality and food safety in order to increase profitability.

The Multilateral Agreement on Investment (MAI)

The OECD had been discussing ways of freeing the TNCs from restrictive legislation for decades, but negotiations to establish the MAI were not opened until 1995 (by which time many would argue that there were in fact very few restrictive regulations left). Similar proposals had been mooted in the fledgling WTO, but had

run into opposition led by representatives from India and Malaysia. In any case, it was considered by proponents that the first world-dominated OECD was perhaps a more suitable venue for these matters. Generally, OECD member states, irrespective of which political party was in government, had been content to rely on toothless voluntary agreements on the conduct of what the organization chose to call multinational enterprises (considered to be a less threatening term than transnational corporations).⁷

Business input to OECD negotiations had been institutionalized in 1962 with the creation of the Business and Industry Advisory Committee (BIAC), through which the interests of business (dominated, unsurprisingly, by big business) were channelled. As with Codex, there is a peculiar relationship between official governmental participation (like Codex, the OECD is an intergovernmental organization) and what can be labelled “official adjunct” personnel and organizations. In the United States the body responsible for input to the BIAC on behalf of the US government is the private interest group, the US Council for International Business (USCIB). The Confederation of British Industries (CBI), the private interest group that speaks for big business, is responsible for BIAC input on behalf of the British government, and the powerful employers’ organization, Keidanren, runs BIAC Japan. There are similar arrangements in other member countries.⁸

Formal discussions on the MAI began at the OECD in May 1995. The existence of the MAI proposals was known to few people outside the narrow confines of the specialist trade and investment communities until an NGO posted a leaked report on MAI on the Internet in 1997. Many other environmental, consumer, labour rights, and development groups rapidly began to alert the wider public to the possible dire consequences of the MAI. In response, some details of the negotiations were posted on the OECD Internet site and the OECD published a Policy Brief on it (No. 2, 1997) and wider consultations began. As a result of the NGO/OECD Consultation, a “Joint NGO Statement,” extremely hostile to the MAI, was released in Paris on 27 October 1997, and re-released in an updated form on 11 February 1998. Two days later a full-page advertisement making the case against the MAI, supported by 600 organizations in 67 countries, appeared in the *New York Times*, the *International Herald Tribune* and other opinion-forming newspapers. The central theme of the advertisement was the role of the major corporations in promoting and influencing the MAI. The headline of the advertisement: “Top Secret: New Mai Treaty. Should Corporations Rule The World”⁹ (*New York Times*, 13 February 1998) alerted a mass audience that something important was afoot.¹⁰ While it is true that the United States and Canada between them provided over 200 of these organizations, substantial support also came from many other countries. There were 15 organizations from Australia, 15 from Austria, 10 from Brazil, 10 from Germany, 16 from Italy, 12 from Japan, 65 from Mexico (many also involved in the struggle against NAFTA), 18 from the Netherlands, 10 from Russia, and 13 from the UK. The most prominent organizations in this initiative were the international environmental organization Friends of the Earth and the US-based Public Citizen and the Sierra Club.

The campaign against the MAI in the United States is an object lesson on how global corporations can be challenged through local action and by using the democratic congressional or parliamentary system. The Boston Area MAI Action Groups, for example, created a website (available through the MAI portal) that successfully connected national conferences on MAI with local action. “So please,

call your representative and senators. (Call the Capitol switchboard at 202-225-3121.) Talk with the aide who deals with 'international trade and investment.' . . . Ask for your representative's position on 'full debate,' and how he [sic] intends to deal with a fast-track proposal when it does come up. Then ask for his mailing address and write a letter to confirm the conversation. See our sample letters." (Underlined in original, to access sample letters.) Crucial in this campaign was the work of Robert Stumberg, a law professor at Georgetown University. His research was instrumental in mobilizing local and state officials all over the United States against the MAI on the (very real) grounds that the Agreement would seriously limit the already limited autonomy of municipal and state authorities in the realms of economic, environmental, and social affairs. It is likely that pressure from these officials on the Federal government, already embroiled in various trade and investment disputes with the EU and other international bodies, heightened its awareness of the political risks involved in the MAI.¹¹

The British government was also ambivalent on the issue, as was made clear in the debate on MAI reported in *Hansard* (23 February 1998: 147-154). It is an interesting comment on New Labour to note that the debate was led by Dr Nick Palmer, who was both a consultant for the major pharmaceutical TNC Novartis (his former employer) and a member of the World Development Movement, that spearheaded the campaign against the MAI in Britain. Dr Palmer (who noted that the Conservative benches were entirely empty) was extremely hostile to the MAI, but the Labour government gave it a guarded welcome, while noting that there was a growing public hostility to some of the provisions in the proposed agreement. As in the United States, campaigners in Britain also had some success in connecting the local, the national, and the global. For example, according to the MAI Coalition, in mid-1998 around 20 local authorities in England (including Birmingham City Council, Oxfordshire County Council, and Bournemouth Borough Council) had passed resolutions expressing concern about the local impacts of any MAI. Links had also been forged with the churches, trade unions, academic researchers, and political parties (see *MAI Coalition Newsletter*, July 1998).

The rapid growth of local, national, and global campaigns against the MAI was not good news for those working quietly behind the scenes to prepare public opinion in the United States, Europe, and elsewhere for what they hoped would be more or less a *fait accompli*, MAI by stealth. The official US government-nominated representative on the BIAC was, as noted above, the United States Council for International Business (USCIB), a membership-based organization comprising more than 300 corporations and interested parties. In fact, USCIB has had the official role of representing US business on international issues since 1947. It is also the official US representative on the ILO and other international bodies.¹² While nominally representing the interests of the US government, the focus of the work of the USCIB since the 1980s has been on open markets and level playing fields for trade and investment in the interests of major US corporations. To this end, USCIB participated in the BIAC informal working groups of experts who met with official OECD negotiators regularly in Paris. USCIB also advised the US Trade Representative and the State Department and met with them regularly on MAI and other matters. At the crucial January 1998 consultation between BIAC and OECD negotiators where, presumably, the growing campaign against the MAI was high on the agenda, the Executive Director of USCIB and counterparts from Canada, Britain, France, Germany, and other member countries met with senior OECD personnel. Also included in this meeting were executives from ten individual

corporations, seven of whom ranked in the top 100 investors in the world (Shell, Volkswagen, GE, Nestle, Unilever, Texaco, and Kobe Steel).

The problem for USCIB (and its partners in BIAC) was that no senior politicians had backed the MAI publicly. It appears that many globalizing politicians and professionals realized the potential for political damage inherent in the MAI and, though they wanted it, they wanted it without too much fuss. In the United States, for example, the problems of the IMF and other more specific trade and investment issues had higher priority than the MAI in the latter part of the 1990s. The pro-MAI coalition in and around the OECD had planned to complete the Agreement for signing at the OECD ministerial meeting in April 1998, but this was postponed and more consultations took place. However, it was becoming clear that the MAI was insupportable. In September 1998 a report by Catherine Lalumière, a European deputy from France, suggested that the negotiations should be moved to the WTO. The French government took this as its cue to withdraw from the increasingly unpopular MAI process and, finally, in December 1998 the OECD officially abandoned the attempt to establish the MAI. Some governments (Japan, for example) welcomed the suggestion that the matter should be taken back to the WTO, probably under a new name. Given the coalition against the WTO which arose in the late 1990s (and which shows no sign of abating in the early years of the new century), this seems an unlikely prospect in the near future. A "Statement" against the WTO and the deregulation of the global economy organized by Friends of the Earth brought together almost 800 organizations from over 75 countries (4 August 1999) in anticipation of the Seattle meetings. However, it should also be noted that there are many more countries in the WTO system than there are in the OECD, and that in the long term most major TNCs are probably just as interested in investing in developing countries as in the rich and to some extent investment-saturated economies of the OECD. This is certainly the case for the tobacco TNCs, as we shall see below (for the influence of Philip Morris and RJR in the MAI campaign, see *INFACT*, 1998).

The level of public debate that was generated over the MAI (and subsequently the issues raised by the WTO), mainly in elite circles but also in the public domain, suggests that these relatively obscure trade and investment debates have been successfully politicized by those who are unhappy with some or all of the consequences of global capitalism and the role of the globalizing corporations within it. Even though the early negotiations were largely unnoticed (they were never "secret" as some of their critics have claimed, though the OECD did not exactly mount a public awareness campaign), MAI was clearly of great significance as the first truly global attempt to establish binding norms for foreign investment. However, it was not an attempt to regulate foreign investors but an attempt to regulate those who might try to interfere with foreign investment, namely community, municipal, and national governments. That was its fatal flaw. Therefore, the failure to establish the MAI is a valuable comment on the spheres in which corporations are replacing states as the dominant forces in the governance of the global economy and the spheres in which they are not.

The BIAC Chairman's message in the 1998 Annual Report attributed the failure to push through the MAI to the financial crisis that swept through Asia and other emerging markets in 1997, which had "fanned the flames of opposition to globalisation and amplified the chorus of criticism of liberalised trade and investment rules".¹³ But this seems to miss the point. It was not the "flames of opposition to globalisation" that destroyed the MAI, it was the fact that the party politicians and other officials in the governments of OECD member countries saw

the MAI as a vote-loser and, in some cases, as a threat to their autonomy vis-à-vis global capital.

If my explanation is correct, and the coalition of globalizing bureaucrats and corporate executives inside and outside the OECD was defeated by a coalition of national and local politicians (not necessarily all of the same political persuasion) and a wide variety of global and local campaigning groups, then we can learn important lessons about strategies and tactics of global corporate politics from this case. Tactically, while many intellectuals are sceptical if not cynical about elections and popular sentiments, if national and local politicians can be persuaded that policy decisions such as the implementation of MAI could seriously damage them in electoral terms, then this “democratic tactic” could be powerful in such cases. However, strategically, it remains true that even left-leaning governments (to stretch the term unbearably) like New Labour under Blair and the Democrats under Clinton began by supporting the MAI in the OECD and were only persuaded to abandon it by the apparent groundswell of popular and legislative opinion against it. It is very probable that a new form of the MAI will be reintroduced when conditions are ripe, for example if and when rising inflation and rising unemployment undermine the opposition to foreign investment and the jobs that major corporations always offer. Relying solely on governments of whatever political party to defend the popular classes (to use an old-fashioned but apt term) while the hegemony of global capital continues to be exercised through the transnational capitalist class is not a viable long-term strategy.

Big Tobacco

The tobacco industry presents challenges, at both the theoretical level and the empirical level, to the thesis presented in this article. Real curbs on the freedom of tobacco companies to advertise their wares wherever and however they wish, and bans on smoking in public places in some countries, restrictions that apply to very few legal products, suggest that the unity implied by the concept of the transnational capitalist class and thus the concept itself, are flawed. The empirical evidence presented in this brief case study, however, demonstrates that, far from challenging the concept of the TCC, the case of the tobacco industry provides telling evidence for the existence of such a class and shows that its members continue to play an important role in serving the interests of global capitalism through building the economic power of their corporations, the political power of their industry and the culture-ideology of consumerism.¹⁴ The ongoing struggle of the major tobacco companies all over the world to market their unhealthy products illustrates well how corporate interests impact the global politics of regulation.

The global tobacco industry at the turn of the century was dominated by four firms. Largest by far was Philip Morris, which ranked 31st on the *Fortune* Global 500 in 2000, with revenues in excess of \$61 billion. Japan Tobacco and BAT (British American Tobacco), ranked 221 and 226 (with around \$20 billion in revenues each), while R.J. Reynolds Tobacco ranked 436 with revenues of over \$11 billion.¹⁵ Outside the Global 500, American Brands (acquired by BAT in 1995), Rothmans International, the German firm Reemstma, and several state monopolies, notably the Chinese, made up the strong second tier. Widely-publicized events since the mid-1990s have led some to believe that the tobacco industry in the United States and, perhaps in the rest of the world, is on its last legs. My analysis predicts that the

industry, supported crucially by some state agencies, despite attacks from other parts of the state apparatus, and the promotional culture of cigarettes (see below), will continue to sell cigarettes and make good profits so long as the TCC retains its powers within global capitalism.

While cigarette sales in first world countries declined in the 1990s, premium price brands, notably Marlboro, are increasing their market share all over the world, thus making up for some of the lost revenue in volume. The situation in the third world and the new second world of eastern Europe and the former USSR is more complex (see *INFACT*, 1998: 76–83). Industry sources (see annual reports) and critics (Frey, 1997) alike have documented the targeting of third world (and increasingly new second world) consumers as a deliberate strategy to compensate for the decline in revenues anticipated in the first world. PM, RJR and BAT brands in 1995 had over two thirds (often more than 90 percent) of the market in Barbados, Ghana, Honduras, Hong Kong, Kenya, Morocco, Nicaragua, Sri Lanka, and Turkey; and over one-third in Pakistan, Slovak Republic, and Zaire (*Tobacco Reporter*, October 1996). Marlboro is the top selling imported brand all over the world.¹⁶

Whereas in the mid-1980s the global tobacco companies had legal access to less than half of the potential world market for cigarettes, by the mid-1990s this had risen to around 90 percent. The reasons for this dramatic increase were the trend to deregulation of foreign investment and trade in general, strategic alliances between local and global cigarette companies and the decline of government monopolies all over the world. Social factors like increasing prosperity of the new middle classes and the drive to upgrade their consumption patterns, which often means preference for expensive imported over cheaper local cigarettes, the growing freedom for women to indulge in previously male-dominated pastimes like drinking alcohol and smoking cigarettes, and massive advertising and promotional campaigns by the global corporations (*INFACT*, 1998), have all contributed to the rapid increase in sales of globally-branded cigarettes in the third world and eastern Europe.

The reason why the global tobacco companies are increasingly targeting the third world is because there are, relatively speaking, fewer smokers of cigarettes there, although this pattern is changing. The World Health Organization estimated that in 1995 the average number of cigarettes smoked per day was 22 in industrialized countries and 14 in developing countries, mirroring a decline in the habit of 1.4 percent per annum in the former but an increase of 1.7 percent in the latter. WHO has documented the rise in cigarette smoking per person per year in key third world markets from the 1970s to the 1990s. In most of the largest countries (China, Indonesia, South Korea, Bangladesh, India, and Thailand) per capita consumption has increased. Gender, class, age, ethnic, and religious variables would undoubtedly give a sharper picture, but the brute fact remains: the potential for cigarette industry growth lies not in the first world where fewer and fewer people are smoking and restrictions on smoking and marketing tend to be more strictly enforced, but in the third world where groups that previously were outside the market for manufactured and particularly globally-branded cigarettes, are rapidly being brought into its orbit. Given the health risks of cigarette smoking, which are widely known, and the increasing levels of local campaigning against these risks, for the industry to be surviving, let alone thriving, suggests that it has managed to assemble a powerful coalition of support over a wide range of social groups and institutions.

The global system theory outlined above and its central concept of the transnational capitalist class suggests how we might fruitfully analyze the promotional culture of cigarettes and the social forces that support it. TNC executives, globalizing bureaucrats, politicians and professionals, and consumerist elites all play their parts individually and in concert to bring this promotional culture of cigarettes and smoking into as many institutional sectors of all societies as they can and to create a dependency on both the drug (nicotine) and the money (financial dependency of many types) that the tobacco industry brings with it.

The global tobacco industry is supported by a corporate elite, drawn from a wide spectrum of prestigious institutions, interlinking the corporate and the non-corporate worlds. Most major corporations have networks of connections from the corporate centre through joint ventures, strategic alliances and other business links to local and national government agencies and the people who run them, to the advertising and media industries, to the retail and entertainment sectors and many other social spheres (particularly those who come to rely on their largesse for sponsorship money) wherever they do business in the world, effectively all the inhabited parts of the planet.

Globalizing bureaucrats, politicians and professionals have long been friendly to the tobacco industry; very few have taken the real risk of public and militant opposition to it. The reasons are obvious: the tobacco lobby is rich, well-organized and well-connected in most countries,¹⁷ there are many more smokers than active anti-smokers, and those who stand for public office or who depend on the state or the business community for their prosperity generally avoid antagonizing such interests. The major exceptions to this rule in the case of the tobacco industry are those public health officials and medical researchers who have campaigned against the health risks since the 1960s (the major medical associations have mostly come off the fence on the issue), those anti-smoking politicians whose secure electoral bases have saved them from the revenge of the industry (for example, President Clinton in 1996, though some tobacco money went to the Democrats too), and those lawyers who have taken on the task of suing the tobacco corporations for destroying the health of their clients (often on a no win-no fee basis). This certainly appears to be a formidable coalition, but in the context of the majority of local and national politicians who stay neutral and the other massed professionals working directly and indirectly for the smoking interests—lawyers, advertisers, business consultants, industry-funded medical researchers—the sides look less evenly matched.

It is also important to balance out the picture of smokers under continual social pressure to give up or to indulge their habit in private rather than public spaces, with the continuing actual and iconic presence of the cigarette in most societies. There are very few countries where non-smoking regulations are strictly enforced. In the United States, where the anti-smoking movement has gone furthest, although there are widespread advertising bans in the media, characters still smoke in films, plays, photographs, and other representational forms, and this may be increasing as part of a new hedonistic culture. The sight of small groups of smokers, huddled together outside buildings, is now common in many countries, no doubt for some people adding to rather than detracting from the attraction of the habit.

Globalizing bureaucrats who promote the interests of the tobacco industry are opposed by those, mostly in the health and education spheres, who are part of the anti-smoking movement. Indeed, the struggle between pro-tobacco government

agents and agencies in revenue and industrial departments and anti-smoking activists in health and education, appears to be an increasingly global phenomenon. The cases of the United States and the UK are now well-documented and evidence from other places is also building up (see Sklair, 1998).

Disagreements at the local and country-wide levels between groups for and those against the tobacco industry have been paralleled internationally through the United Nations system by conflicts between the Food and Agriculture Organization, supporting the interests of tobacco growers, and the World Health Organization, in the interests of disease reduction, on the role of tobacco in development.¹⁸ Nevertheless, despite all this practical and ideological mobilization by the anti-smoking movement over at least the last three decades, more cigarettes are being smoked globally than ever before, the tobacco corporations continue to make substantial profits, most of their shareholders seem content to take their dividends, and the promotional culture of cigarettes shows no sign at all of abating.

Corporate Power and Genuine Democracy

Much of the research on corporate–state connection can be found only in the form of obscure reports from and about obscure lobby groups. This perfectly illustrates my thesis that the TNCs do work, quite deliberately and sometimes rather covertly, as political actors, and often have direct access to those at the highest levels of formal political and administrative power with considerable success. The research of Corporate Europe Observatory (CEO) and INFACT could, I am sure, be replicated for most countries, and many cities, in the world. Everywhere, we find corporate executives, globalizing politicians and professionals, and consumer elites (merchants, marketers, advertisers) telling us in public and doing their best to ensure in private that the globalizing agenda of contemporary capitalism driven by the TNCs and their allies is inevitable and, eventually, in the best interests of us all. They would see the corporate lobbies working effectively within the European Union and the OECD, within Codex, and for the tobacco industry globally, as doing a fine job in paving the way to universal prosperity.¹⁹

I have argued that the TNCs and their allies are political actors and that they do achieve significant success in getting across their message that there is no alternative to global capitalism. The route to prosperity for all, the corporations argue, is through international competitiveness decided by the “free” market and “free” trade, institutions and processes that they largely control themselves or through their friends and allies in local and national governments and international organizations.

Does this present a problem for democracy? In one sense it does not. TNCs are legal bodies with every right to act legally to further their interests. They are formally owned by millions of individual shareholders whose main interest is in seeing the value of their investments increase, although effective control is usually vested in small groups of owner-executives and institutional shareholders. The other side of the matter is that all major trade and investment treaties are profoundly undemocratic in structure and process. In 1994, just before the US Congress was due to vote on the Uruguay Round of GATT, the Washington-based organization Public Citizen, offered to donate \$10 000 to the charity of choice of any member of Congress who had read the 500-page agreement and who could answer ten questions about it. Only one member, a “free-trader,” eventually

accepted the challenge, and as a result he changed his vote from for to against the agreement (after having voted for NAFTA which, presumably, he had not read). Congress approved GATT in December 1994, the inference being that most US legislators voted for an agreement that would fundamentally change the global economy without knowing what was in it in any detail.²⁰ Neither do most legislators in the member countries of the European Union appear, on the whole, to be better informed than those in the United States on such matters. So, apart from the very big issues about whether to join or accede to treaties, which are very occasionally put to the vote in a referendum, our elected representatives appear to nod through on a regular basis legislation that effects our daily lives in many different ways. As the evidence from Codex, MAI, and the tobacco industry suggests, the interests of global capital are generally better represented because the TNCs have the resources and the commercial motivation to see that their interests are fully represented. Even such a relatively well-endowed organization as Greenpeace Germany had only one Brussels-based lobbyist in 1997: “In comparison with the swarms of industry lobbyists to be found in Brussels corridors, environmentalists are an endangered species” (CEO, 1997: 57).

The political activities of the TNCs and their allies, therefore, raise serious doubts about how well our democracies are working with respect to everyday economic issues, global trade and investment, environment, health and safety of workers and citizens in general. Attempts by bodies like the ILO and the now-dismantled UN Centre on Transnational Corporations to develop universal codes of conduct to encourage the best practices of TNCs and to outlaw their much-documented bad practices all over the world have come to very little. As we have seen, the MAI promised to give more freedoms to the TNCs without imposing any compensating responsibilities, and such initiatives are likely to be resumed. This is all in the name of globalization, free trade and international competitiveness and the hope that, somehow, it will make poor people better off. The defeat of the MAI proves that, in the short term at least, it is possible successfully to mobilize opposition in the name of local democracy against capitalist globalization and corporate power.

Notes

1. The major exceptions have been the study of lobbyists. See, for example, Jacobs (1999) on the United States, and Pedlar and van Schendelen (1994) on Europe and, on Political Action Committees in the US, Gierzynski (2000).
2. For an extended analysis of the transnational capitalist class based on *Fortune* Global 500 and similar corporations, see Sklair (2001).
3. The wave of protests that swept Europe in 2000 over rising fuel prices is only one serious consequence of the failure of national and Europe-wide governments to work out sensible, environmentally sustainable transport policies. The role of the oil, automobile, road building, supermarket and other industries in this quasi-conspiracy against sustainability urgently requires systematic research.
4. I am grateful to Codex officials in the United States (USDA), UK (Food Standards Agency) and Australia (National Offices of Food Safety) for providing the documents on which this section is based.
5. Avery, Drake, and Drake (1993: 38) report that pressure from the International Organisation of Consumers' Unions (IOCU) resulted in Codex agreeing in July 1991 that: “Governments should encourage funding for consumer experts and representatives to participate in Codex and other food quality and safety work.” So far, only Norway (and India, some time ago) appears to have actually done this.

6. The affiliations of some participants were difficult to identify and time and resources did not permit a finer analysis. Lists of participants can be found on the Codex website by clicking on the <ALINORM> boxes for the dates of meetings.
7. See the OECD and Global Trade Watch websites, and Henderson (1999). My own interpretation of the campaigns for and against MAI derives from interviews and information gathering in Washington, DC in 1998 and London in 1997–99.
8. I am grateful to the BIAC office in Paris, and to officials in the relevant US and UK organizations for information. The trade union movement is also officially represented in the parallel Trade Union Advisory Committee, but this appeared to be less influential.
9. This borrowed the title of the popular anti-corporate book by David Korten, *When Corporations Rule the World* (Korten, 1995). Korten was a member of the influential International Forum on Globalization, that helped to orchestrate the campaign against the MAI (and subsequent events in Seattle etc.).
10. Another full-page advertisement in the form of an “Open letter to the Congress of the United States” had appeared two days earlier in the *New York Times* (11 February 1998). While it did not mention the MAI by name, its heading “A Time for American Leadership on Key Global Issues: The Asia Crisis Requires American Action Now,” and the formidable coalition of corporate executives and global politicians and bureaucrats named, leave no doubt that it was part of the same corporate agenda as MAI. Its opening sentence was: “Those of us who have come together to sign this statement are Republicans and Democrats.”
11. This interpretation is supported by a rather defensive letter from Timothy Deal, senior VP of the USCIB (in *Washington Times*, 26 December 1997). In response to a front-page article in the *Times* that had discussed the case against the MAI, Mr Deal ends his letter with a plea to take the debate “out of the feverish atmosphere of Internet chat rooms!” His worries were justified: the “Annotated list of world wide MAI Websites” on the Corporate Watch website in mid-1998 ran to ten pages.
12. Including official negotiations on Customs Modernization, Bribery and Corruption, EMU, WTO Telecommunications Agreement, and Climate Change (see USCIB 1996–97 Annual Report, Table on “Meeting Business Needs: Examples of USCIB’s Global Network at Work”).
13. This defeat was obviously a bitter blow for BIAC. Later in the 1998 Annual Report, the negotiations were described as “stalled” (p.7) and, under the title “Business Still Needs a Multilateral Framework for Investment,” as “suspended” (p.10), though in the time line that runs through the Report it is conceded that “OECD announces the end to MAI negotiations” (p.18). It is clear that MAI is still very much on the agenda of BIAC and the major corporations. In 1998–99, BIAC carried out urgent work on its “brand image.”
14. For a more extended discussion of the global tobacco industry and the TCC up to 1997, see Sklair (1998) where copious references will be found.
15. This is the tobacco arm of what had been RJR-Nabisco. For a variety of reasons this was demerged from the parent company and the overseas tobacco business of RJR was sold off to Japan Tobacco.
16. In the midst of all the litigation and media reports of the demise of the industry, Philip Morris increased its profits in 1999–2000 by 43 percent (though the profits of both Japan Tobacco and BAT declined in the fiscal year). A survey of the world’s most valuable brands in 1996 (see *Tobacco Reporter*, September 1996) gave Marlboro, valued at \$44.6 billion, the top place.
17. See Sklair (1998) for details of and references to these connections.
18. The dilemma this poses for development professionals is well expressed in the confused and contradictory “World Bank policy on tobacco” in the 1993 *World Development Report* issue on health (World Bank, 1993: 89). In 1999, the WHO began a very serious campaign to control the “smoking disease epidemic” globally, details of which are available from the WHO website.
19. For a theoretical discussion that attempts to provide a Gramscian basis for the argument

- that global capitalism needs to be politically active to sustain its project and creates elite social movements based on the TNCs, see Sklair (2001: chap. 2).
20. For details, see Nader and Wallach in Mander and Goldsmith (1996: chap. 8). The book as a whole, an early manifesto for the International Forum on Globalization, provides many good examples of the political actions of TNCs and the growing opposition to them.

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