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**Friends of
the Earth**

Briefing

The World For Sale

An introduction to Corporate Globalisation

Corporate globalisation is the spread of big business across the world. As big business gets bigger, it gets more powerful meaning people and governments have less control over their lives. All over the world big business is putting profit before people and the environment.

This briefing is a beginner's guide to corporate globalisation. It looks at some of the impacts of corporate globalisation, the reasons why it's happening, introduces some of the alternatives and suggests what you can do.

Friends of the Earth inspires solutions to environmental problems, which make life better for people.

Friends of the Earth is:

- the UK's most influential national environmental campaigning organisation
- the most extensive environmental network in the world, with almost one million supporters across five continents and over 60 national organisations worldwide
- a unique network of campaigning local groups, working in over 200 communities throughout England, Wales and Northern Ireland
- dependent on individuals for over 90 per cent of its income.

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What is Corporate Globalisation?

Corporate globalisation is one kind of globalisation (box 1). It includes these trends and examples:

- Big companies get bigger and small companies and family businesses struggle to stay open. For example US giant Wal Mart has taken over Asda and Starbucks is taking the place of small coffee shops on every high street;
- Wealth is concentrated in the hands of a few. The gap between poor and rich is growing both between and within countries. Of the 6 billion people in the world, 2.8 billion are living on less than \$1.20 a day. More than 60 countries now have lower per capita income than they did in 1990. The 475 richest dollar billionaires have a combined wealth greater than the poorest half of humanity;
- Financial centres such as the City of London have huge amounts of money flowing through them and have control over where money such as our pension funds is invested;
- Governments are forced or persuaded to do what big business wants – money is power and big business uses its power to change laws so that it can carry on growing, even if this means damaging the environment or undermining human rights;
- Multinational companies have been given the right to operate wherever they choose. These rights are enforced by World Trade Organisation (WTO) (see box 3), which has the power to tell governments which laws they can make.

Box 1: Globalisation

The word “globalisation” is used to mean a host of different things. It sums up the feeling that the world is getting smaller. We travel around the globe, talk to people on the other side of the world, and have access to information at the touch of a button. Globalisation is a host of social and economic trends away from the local or national level and towards the global level.

“Economic globalisation” generally means the integration of national economies into the global economy, the increasing flow of money around the world and the growth of multinational companies. We also call this “corporate globalisation” as it has been driven by multinational companies and they are the ones that benefit. Over the last 25 years, corporate globalisation has led to greater inequality between and within nations, a worsening quality of life for the world’s poorest, greater insecurity for people and accelerated degradation of the natural and social environment.

What is new about corporate globalisation?

Today multinationals are more powerful than ever before. In just a few years the number of multinational companies has grown from 37,000 to 60,000 and their affiliates from 170,000 to 800,000. Amongst the 100 largest economic entities, 29 are multinational companies. In other words these companies have bigger economies than most governments.

Foreign investment has grown from \$200m in 1990 to \$884m in 1999. The UK is now the world’s biggest foreign investor which means it has huge power over communities and workers around the world.

Today corporations can set up shop wherever costs are lowest, which usually means wherever labour and environmental standards are lowest. So our clothes are all too often made in sweatshops in the developing world where people are paid a pittance and work under horrific conditions; and ships (such as the Erika and Prestige which spilt oil off the coasts of France and Spain) are registered in countries with low standards and low taxation, meaning their owners can get away with using old, unsafe ships.

As long as there’s money to be made, multinational companies have no qualms about operating in countries with oppressive regimes and governments where human rights abuses abound.

Box 2: Corporate Power

BP is planning to build a pipeline through Azerbaijan, Georgia and Turkey to get oil out of the Caspian Sea to the West. It passes through communities whose land will be lost and polluted, but who will not have access to the oil or benefit from the money it produces. Even more worryingly, BP has signed agreements with the governments of Azerbaijan, Georgia and Turkey which make the area around the pipeline exempt from environmental standards and other laws – BP has more control in this area than the governments themselves.

These kinds of power relationships – where deals are struck by remote, corrupt or undemocratic governments with powerful multinationals – have many times in the past been a major source of conflict. For example in the Ogoni region of Nigeria, the Yatagan oilfield in Burma and the Sumatran rainforest local communities have been unable to stop multinational companies destroying their environment.

How has corporate globalisation come about?

Governments have allowed corporate globalisation to happen largely because of the successful lobbying of multinational companies. Together governments and companies have devised a one-size-fits-all prescription for global and national economics. It is based on privatisation – where previously public services are sold to private companies - liberalisation – where free trade (see box 3) is the name of the game - and deregulation - where regulations and standards on health and safety or environmental rules are removed to make it easier to trade. It is about survival of the biggest.

This whole process is controlled, monitored and enforced by organisations like the International Monetary Fund (IMF), World Bank and especially the World Trade Organisation (WTO) (see box 3). These organisations have huge control over what individual countries and communities can and can't do. For example, in order to get World Bank and IMF loans and aid, Mozambique, Tanzania, Cameroon, and Kenya were forced to privatise their water services. European companies like RWE, Suez and Vivendi now “own” water and water services in parts of these countries and many people cannot afford to pay the prices these companies charge for water.

Box 3: The WTO and free trade

The WTO is the body that makes and enforces the laws and rules that control international trade (ie trade between different countries). The aim of the WTO is to make trade run as “freely” as possible so that companies can buy and sell products and services without any barriers in their way. Barriers to trade can include things like environmental standards and health and safety rules, as these can get in the way of making cheap products and low-cost services. For example, if UK citizens demand tough standards on toxic pollution, this would be considered a barrier to foreign companies who may not be able to meet these standards as quickly as domestic companies.

The WTO can overrule national laws that might make trade run less freely. These might be laws designed to protect the environment or human health or tax benefits to support local businesses. The WTO can use fines and sanctions to force countries to get rid of these protective measures. As a result, governments hold back from policies that might conflict with WTO rules. For example, the UK Government does not buy only sustainably sourced timber because this may breach trade rules.

The US and EU dominate the WTO. They arrive at meetings with hundreds of delegates. Developing countries cannot even afford to follow every aspect of the negotiations

Unsurprisingly, multinational companies are the main drivers of corporate globalisation. They do this largely through setting up lobby groups. On the international scale, corporate lobby groups have pushed to get global free trade. For example, the World Economic Forum claims it stimulated creation of the WTO, and the European Round-table of Industrialists has been called one of the main driving forces behind the European Single Market.

In the UK corporate lobbyists have influence over our laws and policies. For example, Lord Richard Holme of the International Chamber of Commerce also sits in the House of Lords where he is able to influence every law passed in Britain. The Confederation of British Industry (CBI) proudly boasts that it

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“pushed the government into announcing [planning] reforms that are badly needed and are widely seen as pro-business”. The reforms have tried to remove the public’s right to object to damaging development proposals.

Have corporations behaved responsibly?

In a word: no! Many multinational companies claim to be socially and environmentally responsible. They have adopted CSR – Corporate Social Responsibility – which says that companies will be responsible voluntarily. Some companies’ practices have improved and some companies are looking to improve even more. But we still hear hundreds of examples of companies abusing their power in order to make money at the cost of the environment, human rights and communities.

Allowing companies to decide themselves whether or not to behave in a responsible way simply is not working. The market is set up to favour companies that can operate at the lowest cost, and therefore the lowest standards. We need to take positive action to force companies to behave responsibly.

What are the alternatives?

Friends of the Earth is campaigning against corporate globalisation and for sustainability. Sustainable societies would put people and communities in charge of their fate. Our corporate globalisation work looks at three linked areas:

Trade justice

Instead of the current WTO rules that benefit the few at the cost of the many, Friends of the Earth is campaigning for a trade system that:

- benefits and empowers people, local communities and supports their livelihoods and protects the resources that they rely on;
- promotes fair (not free) trade between countries, with that trade being conducted in a more sustainable manner and benefits being shared equitably;
- narrows and ultimately eliminates the economic gap between rich and poor in terms of ensuring that the basic needs for life of all people are met.

Corporate accountability

Friends of the Earth is calling for national and international rules and laws to make companies answerable for their actions and to put power back in the hands of citizens and communities. We want citizens and communities to be able to hold multinational companies legally accountable for their bad practices.

In the UK we are campaigning for national rules to hold corporations to account. Along with a coalition of groups, we have introduced a parliamentary bill pressing for real change on corporate accountability. This has received the support of hundreds of MPs, but the Government does not support the contents of the bill .

If companies were properly accountable for their actions, it would help to ensure that people’s rights and needs and protection of the environment are given priority over the profits of big business. It would help to reverse the trend of political power moving away from people and into the hands of multinational companies. It would help ensure that companies operate in the public interest, not against it. It would help protect the environment against rapid destruction for short term profit. It would help uphold people’s rights, livelihoods and ways of life. In short, it would revolutionise the way we do business.

Local economies

The long term alternative to the one-size-fits-all approach of corporate globalisation will also be about supporting the development and rejuvenation of local economies.

What you can do

Join our email activists list to take simple actions against the destructive activities of multinational companies and to help us challenge corporate power. Visit www.bigbusinessexposed.com to join.