

Commanding Heights?  
The Strength and Fragility of Business Power in Global Politics

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## Abstract

International relations urgently needs theoretical development that takes into the account the power of non-state actors, in particular business. The present paper aims to prepare the ground for such theoretical development by analyzing the political power of business along three dimensions: its instrumental, structural, and discursive power. The paper discusses the extent to which business' political power has grown in each of the dimensions. While the analysis indicates that political power of business in general, and corporate actors in particular has increased in certain areas, it also highlights limits and challenges to this power. Specifically, the paper argues that the "commanding heights" that business allegedly has climbed are build on shaky ground. This, in turn, implies the need for any International Relations theory that takes non-state actors into account to develop and include a new concept of vulnerability of political power.

## I. Introduction

In scientific and popular political debates, a perception prevails that in today's world non-state actors, in particular TNCs, have assumed increasingly important political roles. Albeit, mainstream International Relations theory is utterly deficient in assessing the political power of these actors. International Relations theory, specifically Realist and Neorealist approaches, for a long time identified the strife for power and the use of power as *the* key determinants of change in the international system. Both theories, however, only considered states as relevant actors. Alternative theoretical approaches, such as neoliberal and constructivist ones, have overcome this deficiency to some extent. However, while these approaches have opened the focus to include the interests and ideas of substate, transnational and suprastate actors in their analyses, they frequently pay little attention to questions of power. The global governance approach as one of the youngest theoretical approaches in International Relations and the one most open to attributing prominent political roles to non-state actors, in fact, has faced fervent criticism for assuming conflicts of power away (Brand et al. 2000, Hewson and Sinclair 1999). Of course, (neo-)Marxist, critical, and postmodern approaches have always been asking question of power with respect to international politics, while including actors other than states in their inquiries. But these approaches have been constrained to the margins of International Relations debates for most of the time.

This paper does not aim to develop a new power-based theory of International Relations that includes non-state actors. Such an objective clearly is beyond the scope and possibilities of the present endeavor. But the paper aims to provide first steps in that direction by improving our understanding of the political power of business in general and TNCs in particular in a globalized world. This power is difficult to capture and impossible to quantify, which is one of the reasons debates on this topic never managed to establish themselves in mainstream International Relations research. But the present paper wants to suggest that we can get an idea of changes in this political power by studying developments in what debates in various subfields of political science identify as "new forms of governance."<sup>1</sup>For completeness, this analysis also needs to be conducted for "old" forms of governance, of course.

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<sup>1</sup> This debate currently is taking place in public policy and comparative politics, and very prominently in the global governance debate within International Relations, of course.

The paper, therefore, develops a power theoretic approach based on Lukes (1974) and Levy and Newell (2002) and applies this approach to the spectrum of political activities of business discussed in the literature. Specifically, the paper employs a multi-dimensional concept of power integrating actor-specific as well as structural sources of power, which links lobbying, self-regulation and political communication activities to instrumental, structural and discursive facets of power. With the help of this conceptual lens, the paper then delineates developments in the instrumental, structural, and discursive power since the 1970s.<sup>2</sup>

Based on this analysis, the following aspects become clear. If business actors, again especially TNCs, are considered to be crucial actors in the international political system, then adopting a differentiated approach to power becomes more necessary than ever before. From the perspective of a respective multi-dimensional concept of power, the particular ways in which business actors have acquired new opportunities for exercising political power can be recognized. Most visibly, TNCs have obtained rule-setting power, by taking on a more active role in governance processes through self-regulation and participation in public private partnerships. They are no longer just passive agenda-setters due to their ability to provide or remove investments and jobs, but are also actively designing and implementing governance arrangements themselves. In addition, TNCs are increasingly exercising discursive power by actively participating in public debates on the definition of political problems and solutions as well as offensively and defensively shaping their image as economic, political, and societal actors.

At the same time, however, business actors in general and TNCs in particular are confronted by a growing potential for political challenges and vulnerabilities. Their rule-setting power, for example, is proving to be a double-edged sword, as it invites scrutiny of the effectiveness of political and societal governance by business as well as the imposition of further governance tasks on business. In consequence, business increasingly finds itself facing expectations regarding its political role that it may not be able or willing to fulfill. The acceptance of a growing political role of business, however, in the end depends on the public perception of its legitimacy, and a seeming failure to fulfill governance tasks (whether they were taken up voluntarily by business or forced onto business) can easily destroy this legitimacy. Thus, business' new political power is extremely fragile. And not only that. In the face of a scandal, the economic base of a TNC's political power frequently

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<sup>2</sup> The date has been chosen because it reflects the arrival of globalization (and subsequently global governance), which is the major reasons for claims of an increasing power of business on the academic and political agendas.

experiences severe challenges as well and may in fact disappear. After all, in contrast to states, companies may well go broke.

What does this ambivalent development mean for an understanding of international relations and especially the role of power in the global political system? As the paper argues, non-state actors have acquired political power to an extent that it cannot be ignored by International Relations theory. In turn, the need to include non-state actors highlights that it is more important than ever for encompassing theoretic approaches to employ multi-dimensional concepts of power. In addition and maybe most interestingly, including non-state actors implies an urgent need for the integration of a new concept of vulnerability of political power, as state and non-state actors fundamentally differ in this respect. Playing the most extensive political role ever, TNCs simultaneously appear to be at their most vulnerable. With these steps, then, progress in understanding the power of private actors in global politics and thereby a new basis for theorizing about power in global politics can be achieved.

The paper has the following structure. It starts with a brief presentation of the multi-dimensional concept of power applied, delineating in particular the notions of structural and discursive power. The paper then discusses developments in business' political power, assessing changes in its instrumental, structural, and discursive dimensions in turn. Section four shows the other side of the medal. Highlighting potential challenges and threats to business' legitimacy as a political actor, the paper emphasizes the fragility of its position. The paper concludes with a brief discussion of the implications of its findings.

Before starting, however, a few caveats to the analysis need to be acknowledged. Firstly, while business will be treated as a unitary, cohesive actor in the present analysis, we must keep in mind, of course, that this is a simplification for analytical purposes. After all, on many political issues, business actors will be lined up on both sides. The deregulation and liberalization of sectors, for instance, create new opportunities for some business actors, but involve costs for some of the established ones as well. Moreover, one can argue that the competition among business actors has increased as policy decisions have moved up to the international and supranational levels at which "national champions" now have to confront other "national champions."

However, the constraints business actors impose on the political power of other business actors are mitigated somewhat by the existence of conditions under which they are able to exert strong influence on politics either individually or collectively. A large

number of policy decisions may be controversial among business actors, but an equally large number is small and particularistic, directly affecting only one specific company or sector (Clawson, Neustadt, and Scott 1992, Smith 2000).<sup>3</sup> More fundamentally, scholars argue that one can identify the existence of a general interest of big business in the form of a "class-wide rationality" next to the individual interests of firms in the form of a "company rationality" (Himmelstein 1997, Pertschuk 1984). Broad overlapping business coalitions, especially among corporate actors, often exist on general questions regarding the regulatory environment and liberal trade and investment practices in the international arena, but not only there. In consequence, while acknowledging that treating business actors, in particular TNCs, as one is an analytical simplification, the paper will apply this perspective for practical reasons and problematize it where necessary. The reader should keep in mind, however, that generalizations on business' political role apply more to large business actors operating in markets with a high degree of international competition than for small businesses in local markets.<sup>4</sup>

Secondly, let me emphasize what the reader should not expect. In political science, we like to differentiate between theoretical and empirical research. This paper does not easily fall into either category. It draws on theoretical concepts to establish an appropriate foundation and framework for its inquiry, but does not pursue an in-depth theoretical discussion of the concept of power. There simply is not sufficient time and space for that in the context of the present analysis. Likewise, the paper draws in empirical evidence based on a systematic and comprehensive assessment of the relevant literature, but does not itself test hypotheses based on statistical analyses or case studies. There is not sufficiently good and extensive data for comprehensive statistical analyses in this field. At the same time, we have more than enough case studies on self-regulating activities and public private partnerships by business now. But these case studies hide rather than reveal the big picture. Accordingly, the paper pursues a careful combination of theoretical and empirical inquiry, one that relies on theory to provide a systematic and reliable basis for suggesting a new look at developments and that aims to plausibilize rather than test its insights regarding these developments. In this effort, the paper draws on the results of a

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<sup>3</sup> Moreover, organizational ties and interlocks among corporations as well as roundtables and informal communication and coordination activities can facilitate a consensus on general political objectives and strategies among the largest business actors (Bowman 1996, Stokman, Ziegler, and Scott 1985, Useem 1984).

<sup>4</sup> Clearly, the opportunities and constraints faced by large and small business actors are quite different. Political options look very different for a TNC than for a small bakery in rural Michigan or a small weaver in Calcutta. The latter are likely to only have some political influence to the extent that they are organized in business associations, and even there large business actors frequently dominate policy efforts (Smith 2000).

larger research project, the findings of which – both theoretical and empirical – unfortunately can only be sketched here.

Finally, the reader should also not expect a verdict on whether business has too much or too little political power today. The question of the political role of business and its implications is, of course, located in a highly controversial terrain. Any study pursuing an inquiry in this field has to tread very lightly and still is likely to be accused of ideological bias. In my analysis here, I aim at taking as balanced approach as possible. As a consequence, some readers may feel frustrated by the constant weighing of developments and arguments and the frequent cautioning against conclusions, we sometimes may be inclined to draw too easily.

## **II. Assessing Power**

One of the central ideas in political and scholarly debates today is that political and economic changes associated with globalization have induced shifts in political capacities. Scholars emphasize in particular, that non-state actors have acquired important political roles. Business actors play a special role among these non-state actors. After all, according to numerous scholars and practitioners, business actors, especially TNCS, are the main beneficiaries of globalization and the "decline of the state" as singular *locus* of political authority (Cutler et al. 1999). Therefore, it is not surprising that the political power of business is a frequent referent in debates. However, this power rarely is analyzed systematically. Thus authors often compare the turnover of large corporations to the GNP of small economies or point out the market share held by corporations in certain market segments to prove this power. Such indicators, however, can only - if at all - serve as extremely rough and indirect measures of political power. Instead, a sound theoretical framework that captures various dimensions of this power and forms of its exercise is needed to systematically and comprehensively assess the political power of business. In the development of such a framework, one can draw on a considerable history of analyses of power in political science.

Traditionally, political scientists have described business' political power as influence on politics via lobbying and campaign/party finance. To analyze this influence, scholars have used a concept of power that has been called instrumental or decisional power. It emphasizes the notion of a functional, unilinear causality, of individual voluntary

action, and the direct influence of political actors on political/policy output, i.e. the "first face of power". Studying pluralism, democracy, and decision-making, scholars have used this concept of power to study pluralism, democracy, and decision-making. In their analyses, they stringently apply the assumption of instrumental rationality in the use of power to political actors and emphasize concrete, observable behavior.<sup>5</sup> Instrumentalist approaches to power can also be found in traditional power theories in international relations, where scholars focus on the use of power by states in pursuit of national interests (Morgenthau 1948, Waltz 1979).

Instrumentalist concepts of power also have a number of shortcomings, however, revealing their insufficiency in capturing the overall power of an actor. Among the core weaknesses are the assumptions of mechanistic causality and of the autonomy of actors' choices of actions arising for instance from the neglect of structural sources of power which predetermine behavioral options. In the context of business' political power, for instance, instrumentalist approaches fail to capture the potential influence that the dependence of political elites on private sector profitability has on political agendas and policy options.

Thus, some scholars turned to apply structuralist concepts of power when studying the influence of business on politics. Structuralist approaches to power emphasize that some issues never reach the agenda and some proposals are never made because structural contexts make alternatives more or less acceptable before the actual and observable bargaining starts (Bachrach and Baratz 1970). Accordingly, structuralist approaches to power capture important aspects of power relationships that instrumentalist approaches fail to see and thereby widen the scope of "power politics" to be analyzed. Thus, structuralist approaches to power, or "the second face of power", reveal the agenda-setting power that actors derive from actors' positions in institutional processes (Shepsle 1979). Structuralist approaches have received the most attention, however, in IPE, where studies of MNCs in the 1970s and 1980s frequently argued that these MNCs held increasing structural power due to their ability to promise jobs and income to countries and an increasing competition among countries for corporate investment (e.g. Cox 1987).<sup>6</sup>

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<sup>5</sup> This conceptualization has been traced back to Weber, although one could argue about whether Weber did not actually perceive power to be much more complex than he is usually credited with. However, Weber's concept of power clearly shines through Dahl's familiar definition: "A has power over B to the extent that he can get B to do something that B would not otherwise do" (Dahl 1957, p. 201f).

<sup>6</sup> The use of the terminology of "structuralist approaches" and "structural power" here should not be confused with Strange's (1988, 1996) concept of "structural power." Strange uses the label quite differently from the earlier and much of the later MNC literature. Specifically, Strange defines structural power as "the power to shape and determine the structures of the global political economy within which other states, their



Neither the instrumentalist nor the traditional structuralist concepts of power, however, are able to fully capture the dynamics associated with the "new forms of governance" and business' political role in them discussed in the literature. Participation in public private partnerships and, most visibly, self-regulation provides business with a different type of power, which goes beyond passive agenda-setting power. In these new forms of governance, business has acquired active rule-setting power. Given that this power derives from the underlying economic and institutional structures of today's globalized world and focuses on the input-side of the political process, we still may want to call it a type of structural power. But it clearly does not just grant actors the ability to prevent decisions by others, but places them in the position to make decisions themselves. In today's globalized world, economic and institutional structures, processes, and interdependencies mean that actors in control of pivotal networks and resources have the capacity to adopt, implement, and enforce rules as well. Thus, structuralist analyses of business' power in the political process need to be extended if we want to capture the "new" power of TNCs. Rather than focus simply on indirect agenda-setting power, structural power analyses need to scrutinize developments in direct rule-setting power.

Even a two-dimensional analysis of power, however, falls short of getting the whole picture. Most importantly, such an approach still ignores the systemic conditions of power located before decisions and non-decisions by actors. These conditions are captured by discursive approaches to power, which adopt a sociological perspective on power relations in society. According to these approaches, power is not only a characteristic of individuals and groups but also of a social system as such. This "third face of power" exercises itself through norms, ideas, and societal institutions. It is reflected in culture and discourse, in communicative practices, and in procedures for problem solving and conflict resolution (Koller 1991). Two major implications for analyses of power arise from these insights. First, the "third face of power" is closely tied to notions of legitimacy and thereby authority and thus to be distinguished from mere influence. Secondly, this kind of power does not simply pursue interests but creates them.

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political institutions, their economic enterprises and (not least) their scientists and other professional people, have to operate" (1988, p. 24f). Thus, Strange combines aspects of the second and third faces of power in her concept. Her approach is similar to more recent analyses of the power of business in its emphasis on the role of production, knowledge, and finance in the new "diffused" power in the international system. According to Strange, having control over these sources of power and determine access to them, allows actors to exercise structural power and gain the capacity to define the terms on which needs in the global political economy are satisfied and whose needs are satisfied. In other words, Strange collapses the aspect of control over policy input and control over norms and ideas in her analysis, which, unfortunately, reduces the analytical value of the concept for the present analysis.

A number of scholars have highlighted the relationship between power and authority and/or legitimacy. Arendt (1970) ties power to authority by contrasting it with force, the use of which according to her is an indication of a lack of power. Parsons (1967), likewise, links power to authority and excludes illegitimate uses of force. These scholars and others come to the conclusion that power is particularly big, when nobody questions it.

The idea that power precedes interests also has been developed by various scholars. This perspective highlights the importance of social institutions in constituting political identities and interests.<sup>7</sup> Critical and Gramscian approaches emphasize the power over norms and ideas in this context. Lukes (1974), for instance, postulates that perceived needs and interests themselves are the result of the "third face of power." He argues that this power can be used by actors in pursuit of their perceived interests. Lukes applies this understanding of power to an analysis of the presence and exercise of power in the absence of observable conflicts of interests. He postulates that such a conceptualization of power allows a more comprehensive explanation of how political systems prevent demands from becoming political issues. Specifically, he emphasizes that an exercise of power may not just prevent conflicts of interest from showing up on the agenda.<sup>8</sup> Rather, they will not even be perceived as such due to the influence of "soft types of power" such as authority, manipulation, positive reinforcement, or social conditioning (Galbraith 1984). Thus, an analysis of the "third face of power" would consider the socialization of politicians and the public into accepting "truths" about desirable policies and political developments (Lukes 1974).<sup>9</sup>

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<sup>7</sup> Some authors posit the independence of stable societal power structures from actors. Luhmann (1975), for example, argues that power is reflected in institutionalized rules, which regulate contingency and determine the range of acceptable behavior. According to him, these rules of institutionalized power rather than acts of self-interested use of power are the dominant influences on every day life in society. Likewise, Foucault (1980) perceives power as a universal societal phenomenon that exists prior to all arguments, discourses, and knowledge. It is not something an actor possesses, but exists in every social act and interaction and is practiced on the basis of discursive everyday practices. One consequence of the degree of institutionalization of social power structures claimed by these authors, is the difficulty associated with the identification of the sources and beneficiaries of political decisions. The latter can easily hide behind intrasparent networks of political and administrative decision-making. The institutionalization of social power structures, in other words, implies the depersonalization and anonymization of power processes, which, according to these scholars, are among the defining characteristics of modern societies.

<sup>8</sup> Unfortunately, Lukes is unclear with respect to the question whether "true interests" exists, which Foucauldian scholars criticize.

<sup>9</sup> Such a perspective is similar to Gramsci's concept of hegemony (1971, 1995), which captures the existence of specific social and economic structures that systematically work to the advantage of certain actors. Due to creation of legitimacy on the basis of moral and intellectual leadership and ideological reproduction, these structures foster "the projection of a particular set of interests as the general interest" (Levy and Newell 2002, p. 87). Ideas, material capabilities, and institutions, and the mutually reinforcing relationships between them, define the boundaries of acceptable action (op. cit., p. 97).

Within the International Relations literature, a number of authors have worked with the notion of discursive power. Joseph Nye (1991, 2002), in particular, is famous for drawing attention to the "third face of power." According to Nye, "soft power", i.e. the power to persuade and coopt other actors rather than coerce them, which originates in the perception of the legitimacy of one's aims by others, is a pivotal third source of power next to military and economic power. Likewise, Milner (1991) has tied authority to legitimacy, arguing that beliefs in the validity of an order support the stability of that order and the position of the dominant powers in the international system. Unfortunately, these analyses primarily consider state power. Strange (1988, 1996), as the one who most determinedly goes beyond the focus on state actors, unfortunately fails to clearly differentiate the second and third faces of power in her concept of structural power, as pointed out above. Only recently, have a few scholar started to address the discursive power of non-state actors. In their analyses of the roles of non-state actors in global governance, Levy and Newell (2002) and Arts (2003), for instance, have considered the discursive powers of business and NGOs, respectively. Their analyses highlight that this additional dimension of power is extremely important for understanding the sources, extent and stability of an actor's political power in today's world.

A comprehensive analysis of the political power of business, then, would need to combine all of the dimensions of power discussed. The added value of this multi-dimensional approach is considerable indeed. Only on the basis of such a comprehensive and systematic analysis, can actor-specific, structural, and diffuse dimensions of the political power of business and their material, institutional, and ideational sources be sufficiently taken into account. Such an analysis reveals why a restrictive focus on one particular form of political activity can suggest the absence of influence of business on politics, although this influence may exist. At the same time, such an analysis facilitates the identification of cases, in which the implications of an expansion in certain forms of political activity should not be overestimated due to a simultaneous decline in other equally relevant activities. Most fundamentally, however, such an approach and typology provides a basis for a differentiated analysis of the strengths and weaknesses of the political power of business, as the following analysis will demonstrate.

### **III. The Increasing Strength of the Political Power of Business**

#### **III.a. Developments in Instrumental Power**

Instrumental power is defined as the power to influence policy output. With respect to the political activities of business, this power is first and foremost associated with lobbying, i.e., business representatives' communication with politicians and bureaucrats in attempts to influence political and regulatory decision-making. Lobbying is one of the oldest forms of political activity by business. Yet we can observe interesting developments in this activity in the last decades, suggesting that the instrumental power of business in general and TNCs in particular has increased.<sup>10</sup> In particular in the case of corporate actors, we can observe business not only to continue to exercise instrumental power in the political arena via lobbying and financial support for candidates and parties, but expanding these activities in quantitative as well as qualitative terms. On the quantitative side, the political mobilization of business since the 1970s and the rising need of policy-makers for technical and economic information, as well as financial contributions, have contributed to a growth in lobbying activity by business in general and corporate actors in particular. On the qualitative side, transnational and supranational lobbying strategies are expanding the political toolbox of business actors and the channels through which they exercise their instrumental power.

In the national political arenas, business actors in general and corporations in particular have mobilized their resources and greatly expanded their political involvement in the last three decades. In response to the expansion of federal regulatory activity in broad problem areas, such as the environment and health, business assumed a much more active role in the political process starting in the early 1970s (Jacoby 1974). Signals of business' new interest in politics have been the move of hundreds of trade associations to national capitals and the simultaneous establishment of a multitude of new corporate offices there, rising contributions to campaign/party finance, or the creation of Business Roundtables and other informal lobbying and advisory bodies by business (Bowman 1996, Shaiko 1998). Moreover, political tasks such as lobbying, which previously were

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<sup>10</sup> Most data on lobbying activity and campaign/party finance derive from the US, due to the nature of the US electoral system and political culture. One cannot necessarily generalize from the US case to all other industrialized democracies and even less to developing countries, of course. Interestingly enough, however, there is evidence of trends similar to those in the US in other industrialized countries. Although they are not as comprehensively traceable, "momentary glimpses" of lobbying and party finance opportunities and activities indicate that parallel--even if sometimes delayed--developments exist. With respect to the situation in developing countries, we should be careful to generalize from the data from industrialized countries, of course.

associated with a low status in the business community, now have become the job of high-level executives with a direct line of communication to the Chief Executive Officer (CEO) or *Vorstand*. In addition, direct contact between top-level management and top-level politicians and bureaucrats has become one of the prime strategies of corporate lobbying (Verba and Orren 1985, Kohler-Koch 2000).<sup>11</sup> Today's "politicized corporation"<sup>12</sup> pursues a regular exchange of information with government and involves individuals at various levels in the corporation in political work. Critical observers charge that corporations even build long-term "contractual" relationships with politicians and bureaucrats, especially those in important positions in the political process, such as committee chairs (Kroszner and Stratmann 2000, Lord 2000).

Parallel to this growth in the willingness of business to be involved in politics, the dependence of politicians and bureaucrats on resources and input from interest groups, in particular business actors has increased. On the one side, the growing complexity of regulatory tasks has led to a rise in demand for technical information by governments and regulatory agencies. On the other side, the slowing down of economic growth and struggle with high unemployment rates in many countries since the 1970s and more recent concerns about the effects of globalization have created a need for economic expertise and cooperation with business by governments.<sup>13</sup> In such circumstances, the ability to provide investment and employment grants business an especially "privileged position" (Lindblom 1977). As a consequence, scholars argue that conditions of access to politicians and bureaucrats have substantially improved for business compared to competing interests (Herrnson, Shaiko, and Wilcox 1998, Hirscher and Sturm 2001).<sup>14</sup>

Next to the increase in lobbying at the national level, developments in the instrumental power of business can be linked to an expansion in lobbying to transnational strategies as well as the supranational level. Interestingly, while most scholars agree on the

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<sup>11</sup> A survey among corporate executives showed that 86% of them were able to converse directly with a member of Congress at least a couple of times a year (Verba and Orren 1985). In a similar manner, direct interaction between top management and the members of the governments today is being utilized to influence policy proposals and evaluations in Germany and other European countries (Kaiser 2000).

<sup>12</sup> According to Berry (1997), the new mantra of corporate strategists is to "get into politics or get out of business" (p. 225).

<sup>13</sup> Next to the increasing dependence of politicians and bureaucrats on business for information and expertise, the rising costs of election campaigns due to the costs of media presence, the "professionalization" of campaigns under the guidance of public relations firms, and the need for increasing efforts in pursuit of the "swing voter" would suggest that their dependence on business' financial resources probably has grown as well (Dalton and Wattenberg 2000, Kepplinger 1999, West 2000).

<sup>14</sup> In this context, one can note, for instance, that business frequently is the predominant voice on advisory committees and delegations today. A recent study by UNDP (2002) has revealed, for instance, that on three US trade advisory committees, individual corporations filled 92 and trade associations 16 seats of the total of

growth in transnational and supranational lobbying activities by business, evaluations of the influence obtained vis-à-vis these activities differ considerably. Thus, some scholars document a predominance of business interests in supra-national policy arenas and therefore contend that the shift in strategies towards these arenas indicates a significant strengthening of business' instrumental power. Others, however, argue that the complexities of supra-national governance advantage public interests and lead to a weakening of business' ability to exercise instrumental power with success.

The EU is probably the world's largest playground for interest groups, having shown the fastest recent growth in lobbying activities in any democratic system (Tenbrücken 2001). The business lobby in Brussels alone consists of hundreds of corporate representatives, as well as sectoral and transsectoral, national and international associations (Fischer 1997).<sup>15</sup> Next to the EU, scholars have also repeatedly drawn attention to increasing activities by business lobbies in the context of global negotiations and agreements. Today, corporations and business associations lobby on all international issues, whether they concern investment regulation, environmental measures, or the security arena (Higgott et al. 2000).<sup>16</sup> Likewise, increasing lobbying efforts by TNCs have also been documented for the large International Governmental Organizations (IGOs), in particular the Bretton Woods triad but also the United Nations and its various programs and committees (Cutler, Haufler, and Porter 1999, Finger 2002).

Similar to the national level, increasing investments in lobbying activities by business actors benefit from improvements in access granted by politicians and bureaucrats. The most fundamental facilitator of interest group influence at the supranational level is the dependence of chronically underfunded IGOs and bureaucracies on information and resources provided by interest groups. While financial contributions to politicians may be less important at that level, information and contacts to design policies and carry out projects matter at least as much. Moreover, scholars argue that business interests in general and corporate interests in particular benefit from the institutional

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111 seats. Labor held only two seats, while the sole seat supposed to combine the representation of consumer and environmental interests had not even been filled.

<sup>15</sup> In fact, the representation of business interests at the EU is particularly noteworthy, when compared to the representation of social and environmental interests or to labor interests. Seventy-five percent of all associations at the EU are business associations, for instance, while Unions constitute less than 5% (Nollert 1997, Ronit and Schneider 1997).

<sup>16</sup> Of course, supranational targets in terms of organizations and regulations are often combined with national lobbying strategies and channeled through national governmental actors as well (Baldwin and Magee 2000, Cadot and Webber 2002, Mann 2000). This is especially the case when it comes to preventing the development of supranational regimes and regulations, in particular in the context of labor, social, and environmental issues, and a substantial share of business' lobbying activity is directed to this effort, according to scholars (Streeck and Schmitter 1991).

structures and processes of supranational organizations. They point out that decision-making processes in these organizations tend to be much more removed from the public view and scrutiny, and that they frequently lack criteria for ensuring a level playing field in the representation of interest groups.<sup>17</sup> Thus, regulation of lobbying activity at supranational institutions including even EU, to the extent that it exists, tends to be minimal in scope (Greenwood 1998).

Increasing lobbying activities by business in general and corporate actors in particular be it at the national or supranational level do not necessarily have to translate into a similar increase in influence, of course. After all, to what extent an increase in lobbying and campaign/party finance activities translates into an increase in influence depends on another factor as well: developments in these activities by other interest groups. Thus, critics of the claim that the instrumental power of business has grown may argue that business had to increase its activities in order to maintain a level playing field, since competing interests had increased their activities as well. There is at least some truth to this argument. Business' political mobilization in the late 1960s and early 1970s was at least in part a response to the earlier growth in citizen groups pushing environmental and social concerns on the political agendas. At the same time, however, many observers argue that the strength of these competing interests has markedly declined since those days and that the effect of this political mobilization of business has been strengthened by a simultaneous decline in the cohesion, membership, and financial support of business' traditional competitors in the policy process, such as unions and environmental NGOs (Sklair 1998, Wilson 1990).

Still, one has to be careful when evaluating the impact of business increasing investment of resource in lobbying activities on policy outcomes. While studies have identified resources along with organizational objectives and political contexts as crucial determinants of lobbying activities, the mitigating influence of the latter two factors means that the relationship between resources and influence in the policy process is not straightforward (Baumgartner and Leech 1998). Moreover, the capacity to mobilize one's resources and successfully convert them into advocacy tools in a given policy situation needs to be taken into account (Heinz, Laumann, Nelson, and Salisbury 1993). The greater

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<sup>17</sup> When inviting business representatives to working groups and committees, for instance, the European Commission is relatively free to choose, as no general consultation rights or territorial or functional criteria for the selection of experts have been legally defined. In this choice, then, the Commission has tended to draw on individual companies which have proven their ability and willingness to deliver the necessary human and financial resources and which have shown the potential for political leadership in the past (Kohler-Koch 1996).

financial resources held by TNCs, for instance, may be balanced by the large membership and perceived higher legitimacy of some NGOs in the context of highly visible and contested policy contests. The range of resources available to business and their fungibility, however, makes arguments that they do not matter difficult.<sup>18</sup>

Similar to the expending of resources, getting access does not necessarily mean having influence. Some scholars argue that informal interaction with public actors is primarily a function of the desire of private actors to be informed and avoid political surprises rather than a function of the desire to influence policy development, for instance (Eberlein and Grande 2003). Likewise, the dependence of politicians and bureaucrats on information could, in the worst of cases from the perspective of business, mean that the latter has to provide the required information that the politicians and bureaucrats then instrumentalize in pursuit of their own policy preferences. However, the ability of business actors to select and frame information should not be underestimated.<sup>19</sup>

At the supranational level, the situation is more complex. Despite the massive evidence on supranational lobbying activities by business actors, some scholars caution against overestimating the growth in this instrumental power. The increasing extensions of lobbying activities to supranational arenas may just be a function of a larger share of relevant rules and regulations being decided there, and thus merely serve to maintain the status quo in the exercise of instrumental power by business. Alternatively, one may argue that the distribution of decision-making capacity among the various actors in such systems will place individual politicians or bureaucrats in a better position to withdraw from interest groups influence by pointing to internal commitments and the responsibility of other actors (Grande 2003).<sup>20</sup>

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<sup>18</sup> From a theoretical point of view, imbalances in financial resources can be shown to matter whether one considers exchange or persuasion, principal-agent or signaling models of the lobbying process, whether one perceives policy-makers as benign or corrupt. Moreover, while legitimacy and public support can represent a particularly powerful resource in the political game, the sheer multitude of policy issues and costs of being informed and involved in the policy process over long periods of time, as well as the costs of the mobilization of membership, generally limit the role of these resources to a restricted number of issues. Thus, public interest groups and even labor frequently find their resources tied up by a couple of highly controversial policy contests, while empirical studies show that large business associations and corporations tend to lobby on more than 100 distinct issues in a six-month period (Baumgartner, Berry, Hojnacki, Leech and Kimball 2001). Moreover, differences in financial resources are likely to matter even more, when it comes to the long and protracted policy processes at the supranational level with multiple intervention points.

<sup>19</sup> Moreover, if recent approaches that model lobbying as a “legislative subsidy” are correct, business is most inclined to interact with “friendly” legislators to begin with, and in that case, access, i.e., the ability to provide information and input, is even more likely to “get the ear” of the respective legislator (Hall and Miler 1999).

<sup>20</sup> In a related manner, scholars point out that an apparent concurrence between business preferences and policy outcomes may be misleading in those cases in which the EU Commission pursued its policy preferences and simply utilized business lobbies in the course of that effort (Kohler-Koch 1996).



At the same time, the supranational level most visibly reveals the advantaged position corporate actors hold vis-à-vis competing interests, including smaller and medium sized businesses and business associations. High transaction costs, little regulation in pursuit of a level playing field, and the inclination of IGOs to work with global players, as pointed out above, contribute to this advantage. Moreover, individual lobbying activities by TNCs at the national and supranational levels have been actively undermining associational politics.<sup>21</sup> Specifically, corporate actors are increasingly utilizing alternative methods of organization, including small informal "clubs" and round tables as well as temporary issue-based coalitions, due to the greater flexibility and lower costs of these organizational forms (Grande 2001, Kohler-Koch 2000). Thus, corporate actors probably are able to balance any loss in instrumental power arising from the ability of public actors to withdraw behind complex governance processes with the growth in instrumental power vis-à-vis their competitors.

In sum, a review of the evidence suggests that the exercise of instrumental power via lobbying activities by corporate actors in particular has increased at the national and supranational levels. This does not mean that corporate actors do control politics via their lobbying activities. However, the role of corporate lobbying today clearly is very different from what it was 30 years ago.

### III.b. Developments in Structural Power

We have defined structural power as the power to influence political input rather than (just) output, which results from the embedding of policy contexts in broader socio-economic structures and interdependencies. Traditionally, the structural power of business has been most prominently discussed in the context of the capacity of multi-nationally operating corporations to influence policies of (host)governments due to their ability to impose costs for certain policy choices. Today, a look at the conditions in terms of capital mobility and the organization of production suggests that this agenda-setting power of business may well have increased. Yet, empirical evidence on this passive structural power of TNCs is ambivalent. An analysis of current developments in the structural power of business in global governance, however, first and foremost reveals that business' efforts

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<sup>21</sup> Associations have tried to counter the increasing role of TNCs or their clubs by providing the largest business actors with more say within their associations, by having them chair central committees, and by increasing their room for decisions. However, scholars find that these measures have not reduced the emphasis on direct relationships between governmental actors and individual business actors (Eising and Kohler-Koch 1994). In fact, Eising and Kohler-Koch argue that corporations frequently use the respective associations as a basis for legitimizing the pursuit of their own interests.

to influence policy input, today, go beyond its ability to move capital. Self-regulation and public-private partnerships presently allow business actors to actively set rules.

The passive structural power of corporations derives from their capacity to punish one country and reward another for policy choices by moving jobs and investment across territorial borders, a potential source of power which structuralist approaches have drawn attention to since the late 1960s and 1970s (Frank 1978, Wallerstein 1980). The extent of this power has always been controversial. Rational choice and cost-based approaches, for instance, have argued convincingly that the relative bargaining power of corporations and host governments is contingent upon the distribution of assets and capabilities between the respective actors (Caporaso and Haggard 1989).<sup>22</sup>

This "traditional" structural power argument has acquired new momentum in the context of globalization. Numerous scholars and practitioners contend that recent developments are leading to further expansion in the ability of corporations to divide the world into national states and sub-national units competing on the basis of taxes as well as institutional, environmental, social, and moral standards (e.g. Altvater and Mahnkopf 1996, Strange 1998, OECD 1998).<sup>23</sup> They emphasize that the number of states competing for investment in the international system has markedly increased since the 1970s.<sup>24</sup> In addition, scholars point out that finance capital has acquired increasing importance vis-à-vis productive capital in the international economic system (Brand et al. 2000). In contrast to traditional productive capital, this finance capital does possess an "exit" option. Moreover, even production processes and their capital bases have changed to provide companies with even more flexibility. Nike is probably the most famous example of a TNC that does not *own* production sites in any particular country, but flexibly shifts short-term production contracts between local subcontractors.<sup>25</sup>

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<sup>22</sup> TNCs in extractive industries, for instance, face a substantial reduction in their structural power once (expensive) investments in physical capital have been made.

<sup>23</sup> In this context, particular corporate actors have gained a disproportionate amount of power. Rating agencies, three of which influence about 80% of the world financial flows, have a substantial impact on the access of countries to financial markets and therefore major role in the shaping of countries' economic, fiscal, and social policies, according to critical observers (Hillebrand 2001).

<sup>24</sup> In addition, scholars also point out strategies of capital to further shape the world in a way providing it with even more structural power (Beck 2002). In the perspective of supporters of the structural power argument, such strategies include the efforts to obtain a Multilateral Agreement on Investment (MAI), which document the continuing pursuit of an international investment regime that would secure maximum operating flexibility in host countries by corporations. Furthermore, scholars report increasing competition between sub-state and sub-regional authorities for investment as well (Walter 1998).

<sup>25</sup> At the same time, the increasing role of knowledge-intensive production and innovation-based competition has furthered the importance of knowledge relative to capital as a basis for structural power, which in turn is largely "owned" by corporations (Mytelka 2000).

Empirical studies looking at developments in taxation levels and standards fail to find conclusive evidence in support of such arguments of an increasing agenda-setting power of capital, however. While some explain the general decline in corporate tax levels in OECD countries with global competition for investment, others argue that the empirical data cannot prove trends towards a general reduction in the size of the welfare state or decline in state income from taxes on capital, for example, that structural power arguments would suggest (Bernauer 2000, Ganghof 2004, Genschel 2004, Swank 2002). Moreover, some scholars argue that competition between firms and collective action problems in oligopolistic market structures limit the structural power of TNCs resulting from the high mobility of capital (Walter 2000).

In addition, some empirical studies “proving” the absence of a passive structural power of corporations can be challenged themselves. In the context of the “pollution haven” hypothesis, for instance, findings that factors besides labor and environmental standards or taxes matter in locational decisions of corporations would surprise few supporters of the structural power argument and fail to prove that these standards and factors do not matter. More importantly, the influence of competition for investment on policy decisions may be more subtle and difficult to prove (and disprove) than many quantitative studies have assumed. Competition for investment may not force a weakening or abandonment of standards and regulations, but prevent their strengthening, for instance (Braithwaite and Drahos 2000). Likewise, many of the effects will take a while to play out, given that politics in general tends to react slowly and politicians are likely to tinker with less obvious and politically controversial answers to globalization pressures as long as possible.

In sum, an intuitive examination of current trends associated with capital mobility and the competition for mobile capital, as well as with the organization of corporate production would suggest that the "traditional" structural power of capital is increasing. At the same time, however, empirical findings on this topic are inconclusive.

In contrast to the passive structural power of business, its new active structural power, i.e. its rule-setting power, can be more easily observed. This new rule setting power is reflected in business participation in public private partnerships (PPPs) and via self-regulation. Both allow business to directly influence agenda-setting and set rules and regulations. PPPs draw on the cooperation between governmental actors and business in the pursuit of specific or broad policy objectives. Self-regulation, in contrast, refers to the design, implementation and enforcement of rules by business. Neither of these forms of

governance is actually a new phenomenon. Scholars have pointed out a long tradition in governance on the basis of formal and informal cooperation between public and private actors as well as self-regulation (Cutler 1999, 2000). The fact that PPPs and self-regulation draw such attention in the literature at present despite their long tradition results from the dramatic increase in their quantity as well as new facets of practices in PPPs and self-regulation. Private actors now define regulations across a wider range of policy arenas, including environmental issues, human rights, or the international financial system. Based on these developments, legal scholars have identified corporations as an authentic source of global law that is increasingly competing with public sources (Teubner 1997, Robé 1997).

The most prominent example of a PPP at the global level is the Global Compact created in July 2000 by UN Secretary General Kofi Annan, a voluntary initiative simultaneously pursuing improvements in corporate behavior and in global problem solving.<sup>26</sup> Under the Global Compact participating corporations commit themselves to comply with 9 global norms, including especially human rights norms but also workers' rights and environmental rights.<sup>27</sup> Moreover, the Compact aims to foster learning and the diffusion of best practice in corporate conduct among participants (Brinkmann and Pies 2003). In turn, corporations benefit from the publicity and legitimacy provided by the (reputation of) the United Nations. Other IGOs pursuing PPPs with corporate actors are the World Health Organisation, the International Monetary Fund (IMF), or the World Bank.

Self-regulation provides the most visible new channel for the exercise of active structural power by business. In self-regulatory arrangements, business actors today design, adopt, implement, and enforce their own rules. Self-regulation, therefore, is the furthest reaching example of the extension of business' structural power from passive agenda-setting power to active rule-setting power. Self-regulatory arrangements presently exist in many shapes and forms. They range from formal arrangements involving written agreements and highly regulated cooperation to loose and informal modes of communication and cooperation.

Developments in self-regulation are particularly noteworthy in the area of standards and codes of conducts, which now exist at the level of individual companies

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<sup>26</sup> Kofi Annan announced this initiative, after his call for private support of the UN had failed to lead to substantial donations, with the exception of that made by Ted Turner (Hummel 2001).

<sup>27</sup> Scholars argue, however, that the Global Compact should be seen less as a code of conduct, than as a frame of reference, a benchmark of best practice (Kell and Ruggie 2001).

such as Levi-Strauss or Karstadt, at the sectoral level such as the Responsible Care Program of the Chemical Industry, and at the global level such as the regulation of transport of dangerous goods by the International Air Transport Association, the ISO 14000 or SA 8000 standards for environmental management and social accountability (see below), or the advertising codes of conduct developed by the International Chamber of Commerce. Importantly, much of this activity extends beyond traditional core tasks of business.

While the frequency of PPPs and self-regulatory arrangements clearly has increased, the actual extent and implications of rule-setting power by business is not that easy to determine, however. Both PPPs and self-regulatory arrangements exist in a variety of forms with different degrees of autonomy in rule design, implementation and enforcement by business making generalizations difficult. While in some PPPs, corporate actors take the lead in the development of governance, in others public actors continue to control the decisions to a considerable extent and rely on business primarily for implementation of these decisions. Moreover, in PPPs, public actors still are in control to the extent that they can decide with whom they want to sit at the table. This is particularly the case in the national arena, in cases of a long tradition of public-private cooperation in certain political and regulatory practices.

Likewise, self-regulatory arrangements differ in terms of the role played by government and, correspondingly, the autonomy of business in rule-setting. Some self-regulatory arrangements are developed voluntarily by business actors, without public input and control. Others are developed at the behest of government and strictly monitored by public authorities for their fulfillment of given tasks. Finally, a third group of self-regulatory arrangements exists that fall somewhere in between the other two.

A large share of the literature argues, however, that we can notice a substantial increase in the influence of business on the input side of the policy process via self-regulation and PPPs. Thus, scholars point out that PPPs and self-regulation today frequently function very differently from the PPPs and self-regulatory arrangements known before. Specifically, they report that self-regulatory arrangements increasingly develop without input from and control by public authorities (Brühl et al. 2001). Similarly, PPPs in the international arena often provide large business actors with considerable leeway in agenda- and rule-setting due to resource scarcity among public actors and a frequent lack of transparency in decision-making processes. In contrast, PPPs and self-regulation under corporatism, for instance, existed in most cases in the shadow of

hierarchy, as a threat of state intervention in cases of the failure of self-regulatory arrangements or their lack of consideration of public interests always existed (Lütz 1995). The necessary public authority for this shadow of hierarchy, however, does not exist in a similar manner at the global level, and changes in practices there frequently induce corresponding changes at the national level. In consequence, it appears that business has indeed become an increasingly autonomous actor in rule-setting.

But what are the implications of this development? What is the reach of the rules developed by business, what do they mean for the pursuit of public policy goals? Not surprisingly, it is here that the controversy really starts. On the one side, scholars and practitioners argue that rule-setting by business fills governance gaps public actors have left due to a lack of political will or capacity. On the other side, critical observers voice concern that voluntary and soft rules and standards developed and implemented by business may undermine or prevent more stringent and mandatory public rules. In such a scenario, the expansion of the structural power of business delineates most visibly the potential of business made law to replace state law making. Accordingly, we would probably perceive the acquired rule-setting power by business as more powerful than if it "merely" fills governance gaps left by public actors.

And indeed, scholars provide anecdotal evidence that this scenario is realistic. Thus, Clapp (2001) reports that governments have in some instances lifted regulatory requirements for plants that were ISO 14000 certified. However, one should probably be cautious to generalize from this anecdotal evidence. At the same time, finding empirical proof for a prevention of public regulation by private regulation clearly is difficult. Only in-depth case-studies allowing persuasive counter-factual reasoning may achieve some results in this respect.

In sum, the structural power of corporate actors both in its passive agenda-setting form and in its active rule-setting form appears to have increased. With respect to the agenda-setting power deriving from the ability to move investments a considerable range of arguments suggests that TNCs have acquired additional power over the course of the last two to three decades. However, the empirical evidence on this issue is inconclusive. With respect to the rule-setting power of business, the increasing number of PPPs and self-regulation suggest growth as well. Moreover, numerous studies document an increasingly level of control and autonomous decision-making by corporate actors in these arrangements. To what extent business can use this rule-setting power to undermine,

replace or prevent rules set by public actors, which would suggest the largest extent of rule-setting power, however, remains controversial.

### III.c. Developments in Discursive Power

Discursive power is the power to influence policies and the political process as such through the shaping of norms and ideas. Scholars attach increasing importance to this discursive dimension of the political process. They point out that policy decisions to a growing extent are a function of discursive contests over frames of policies and the assigning of problems to one category or another by linking them to specific fundamental norms and values (Kooiman 2002). On that basis, they highlight the importance of shifts in dominant dimensions<sup>28</sup> of policy issues and of symbols, story-lines, and the provision of "effective" evidence and compelling arguments in the public debate (Hojnacki and Kimball 1998). In this context, scholars argue that the power of resource rich interests, such as corporate actors, in the political process primarily originates in their ability to create and repeatedly send messages shaping the public debate (West and Loomis 1999). Likewise, they draw attention to the construction of identities of target groups and the strategic framing of their own identities and interests by actors. Finally, scholars examine the ability of actors to influence the definition of fundamental norms of politics and society as such, in particular with respect to recent developments (Beck 2002, Drache 2001). Unfortunately, discursive power is the least researched of the three dimensions of the power of business so that there is a lack of theoretical foundations and empirical studies in this field. Only recently, case studies have started to invest more time and efforts in analyzing the discursive power of business in global governance. The best the present analysis can do then is suggest some preliminary insights on developments in the discursive power of business.

Discursive power derives from authority, and this acquisition of authority by non-state actors, i.e. business actors as well as NGOs, has been one of the major topics in the global governance debate. Defining authority as "decision-making power over an issue area that is generally regarded as legitimate by participants," Cutler, Haufler, and Porter (1999, p. 362) argue that authority should no longer be considered as an attribute of public actors alone. In their view, private actors increasingly are acquiring authority, i.e. a position in the political arena infusing their relationships with other actors with an

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<sup>28</sup> As Baumgartner et al. (2001) argue, all policy issues are potentially multi-dimensional. Likewise, Hajer (1997) points out that today's policy problems involve many different discourses.

“obligatory quality” (ibid.).<sup>29</sup> This acquisition of private authority, in turn, is of fundamental importance for a comprehensive appraisal of the political power of TNCs because of its far reaching effects.

From what does the new authority of non-state actors derive? Cashore (2002) argues that it draws on pragmatic, moral, and cognitive legitimacy. In a related manner, Holzscheiter (2003) identifies strategies of argumentation, the provision and interpretation of particular reservoirs of knowledge, the claiming of expert status, and the acting as "transnational moral entrepreneurs" as relevant soft-power resources of non-state actors. Among these, the former three (which actually are all closely related to the question of information and expertise) apply to business as well as NGOs, with recent trends advantaging business. The underlying notion here is one of output-legitimacy rather than input-legitimacy, i.e. a legitimacy deriving from the ability to provide desired results rather than based on notions of participatory democratic norms and procedures (Scharpf 1998). Moral legitimacy has been a primary source of discursive power for NGOs (the main focus of Holzscheiter's analysis), although business is venturing into this territory as well as the discussion in the next section will argue.

With respect to expertise as a source of legitimacy, the increasing emphasis on efficiency, competitiveness, and growth rather than equity, full employment, and the availability and accessibility of public services, for instance, in the last three decades of the 20<sup>th</sup> century, has turned business into *the* politico-economic expert, the primary actor considered able to provide and guarantee the provision of the desired goods. Due to the possession of superior information and expertise by business, in combination with the view that complex and fast changing technological and economic environments require decentralized governance and flexibility in reaction, business has come to be perceived as the better regulator (Reinicke 1998). Parallel to this rise of faith in business actors, trust in government has declined (Ledgerwood and Broadhurst 2000). In the popular debate, public regulation frequently has come to be seen as the main villain for an increasing range of economic and social problems, suggesting that companies just react to faulty signals rather than cause problems themselves, according to some observers (Schwartz 1985). In sum, the reemergence of a wide-spread trust in market actors and their capabilities in terms of the solving of broader societal and political as well as economic

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<sup>29</sup> In a similar manner, other scholars have emphasized the need to differentiate between authority and jurisdiction, arguing that “non-state actors increasingly have the capacity to get things done without the legal competence to command that they be done” (Czempiel 1992, p. 250).



problems has been one of the sources of the acquisition of political authority by business and the corresponding expansion in its discursive power.

The major difficulty with respect to assessing discursive power and its sources, however, is that, for the most part, it is visible only indirectly (see also Lukes 1974). Yet, a few indirect signals of a rise in business' discursive power can be identified. One such signal is provided by the privatization and liberalization trends that are widely discussed in the literature. The trends towards privatization and liberalization are based on a change in attitude towards the desirability of market-mechanisms as instruments of societal organization. Today, these developments have reached an amazing extent and led to the "renaissance of the market economy as the dominant socio-institutional system of resource allocation" (Dunning 1997, p.1). Privatization, in particular, indicates a change in the political role of business in the eyes of observers, in so far as business is increasingly carrying out functions previously considered the task of public actors: "Governments everywhere continue to privatize, deregulate, and out-source the business of government to business" (Drache 2001, p. 6). At the present time, the dominant view is that the market, in other words business, is able to provide a large variety of goods and services previously considered part of the public domain and sufficiently sensitive to require provision and control by government (Arthurs 2001). This development early on could be seen in transport and telecommunications infrastructure and energy provision. Infrastructure has increasingly come to be viewed as a private rather than a public good and governments have privatized, liberalized, and deregulated public transport, energy, telecommunications and other public service sectors (Arentsen and Künneke 2003, Kaul 2001, Midttun 1997).<sup>30</sup>

Scholars point out that there are hardly any areas in Western and Eastern Europe as well as other OECD countries that are not shaped by privatization and liberalization trends, today.<sup>31</sup> Even in countries, in which scholars had identified the occurrence of "symbolic" privatization and half-hearted attempts at reforms (Esser 1994), such as in Germany, recent studies have shown that significant changes have indeed taken place (Grande and Eberlein 1999). At the same time, economic actors have been able to draw

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<sup>30</sup> The privatization of security is especially noteworthy and, not surprisingly, receives particular attention in the global governance literature. Security, after all, was once considered one of the best examples of a public good and the prime prerogative of the state (although in history, of course, private security forces are not unheard of). Since the 1990s, however, there has been a trend towards privatization in the security sector, with private firms taking over police and military functions. Today a global security market exists and continues to grow (Eppler 2002).

considerable financial success from the privatization of the respective public services. Presently, 26 of the top 200 Fortune 500 companies are public services TNCs, i.e. earn their money predominantly from the provision of public services (Finger and Allouche 2002).

The border between public and private has been moving throughout history as a consequence of changes in political and economic circumstances and the struggle between competing interests, of course (Ferguson 2001). Since World War II, however, non-market coordinating mechanisms had been intentionally employed in many industrialized countries in an attempt to simultaneously foster economic growth and social welfare (Lehmbruch and Schmitter 1982, Shonfield 1965). In consequence, the present redefinition of the public interest and domain is extremely visible and suggests a fundamental change in the nature of societal organization.

At the same time, however, the dynamics frequently are somewhat more complex than suggested in a large share of the literature highly critical of privatization, due to the failure of the latter to differentiate between formal and material privatization. Thus, the privatization of public services and assets, especially in Europe, in many cases has not been associated with a full withdrawal of the state from its traditional responsibilities and regulatory ambition. Rather, while no longer providing certain public goods and services itself, the state has retained its overall responsibility for their provision even in some of the formally privatized sectors (Eberlein and Grande 2003). In consequence, privatization frequently has been accompanied by the creation of new actors and institutions for regulatory oversight and control.

However, one should also not underestimate the implications of the privatization trend. After all, the pattern of the state's retaining of regulatory oversight and responsibility is uneven. Privatization does not just have a formal dimension but also a material one in some sectors and countries, and critical observers often lament the insufficiency or in-built bias of the remaining regulatory control in the other areas. Moreover, experience shows that re-regulation often faces a conflict between the necessary focus issues of market access and competition and the intended fostering of efficiency objectives on the one side, and social and environmental regulatory objectives on the other. In consequence, even a re-regulated privatized sector may well exhibit a fundamental change in the level and pattern of provision of public goods and services.

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<sup>31</sup> Privatization is also a trend in many developing countries (Manzetti 1999). In this context it is important to note that privatization has not just been pursued and pushed by national governments, of course, but also by major IGOs such as the World Bank.

Accordingly, privatization and its implications for the societal provision of public goods and services require a differentiated assessment taking into account the case-specific arrangements in terms of regulation and exchange. Still, the broad trend towards privatization and liberalization as such indicates a corresponding change in values and perceptions and can be linked to an increase in the discursive power of business.

A second phenomenon that signals the increasing discursive power of business exists; the growing willingness of business actors to take a public stance on policy issues and public reception of respective statements. As scholars point out, interest groups, including business, are spending increasingly more time and resources on efforts to shape perceptions of problems and to define and redefine issues (Cigler and Loomis 1995). We can notice such efforts by business on a vast range of issues utilizing various media and means. Studies have delineated numerous examples of public opinion campaigns by business with respect to specific policy issues (Bowman 1996, Levy and Egan 2000). Such public opinion campaigns, in which business openly takes a stance for or against a certain policy are probably most common in the US. But even in Germany, a country in which observers tend to perceive an atmosphere that traditionally is somewhat more hostile to the political power of business, public statements regarding policy issues by corporate representatives if not Vorstände or CEOs are becoming more common.

That these statements are made is only one side of the coin, of course, signaling the perception of business actors that they have the right or obligation to voice their opinion. Moreover, it is the less controversial one, as Vorstände and CEOs of companies today tend to be highly aware of their political roles.<sup>32</sup> The other and extremely interesting side of the medal is how such statements are received by the public. Does the public think that business actors have the right to speak out on political issues and that their opinions are valuable? Increasingly, the answer to both questions appears to be "yes". Again, there are differences in political culture with the strongest yes probably coming from the US with its pluralist tradition. But even in Germany, statements Vorstände and CEOs make on politics receive more attention in the media and more easily become part of public discourse than ever before. Of course, these observations do not mean that the political role of corporate actors or political statements by their representatives have become entirely uncontroversial, as the next section of the paper will argue. Yet, the 90s and

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<sup>32</sup> Accordingly, it is a frequent lament of German top management that management programs fail to train their students appropriately, i.e. fail to transmit sufficient understanding of the political environment as well as political skills.

beginning 21<sup>st</sup> century revealed a visible trend toward a more public political role of corporate actors.

In sum, when looking at the discursive power as a dimension of an actor's overall political power, it becomes clear that the policy contest starts earlier and at a broader level than traditional analyses of interest group activity assumed. Moreover, one notices that much of the relevant "political" efforts are directed at the public and thereby aim to shape policy and politics in a less direct way. Given the recognition that discursive power today plays a pivotal role in policy and politics, clearly, such indirect political efforts deserve attention when exploring the political power of business in a globalized world. As pointed out above, both theoretical and empirical research on this topic currently leave much to be desired.

Yet, indirect signals of business' increasing discursive power can be identified. In particular, the liberalization and privatization trends and the associated trust placed in business to deliver goods and carry out tasks previously considered the domain of government indicate a fundamental change in relevant norms and ideas. As the perceived "expert" on the efficient and effective delivery of goods and services, business has gained legitimacy as a political actor and therefore political authority. In addition, we can notice an increasing interest in public political communication on the side of business, and growing attention to this communication and willingness to listen to it on the side of the public as a second signal of business' acquisition of discursive power. Some authors go so far as to argue that developments in this discursive power rather than changes in instrumental and structural power have been the crucial determinants of the increasing political influence of business (Smith 2000). However, the discursive power of business may simultaneously be its biggest axe and its Achilles heel, as the following section will argue.

#### **IV. The Fragility of the Political Power of Corporate Actors**

The discursive power of business is an extremely important dimension of the power of business. This is not only due to the fact that discursive contests have taken on an increasingly important role in the policy process, as was pointed out above. The pivotal role of discursive power is also a function of the interaction between discursive power and the other dimensions of power resulting from its diffuse and pervasive nature. Thus, the

exercise of discursive power can enhance an actor's instrumental, structural, and even discursive power. After all, its sphere of influence reaches from practical norms, i.e. commonly accepted notions of the best solutions to problems, to constitutive norms, i.e. norms creating actors, interests, and categories.<sup>33</sup> In other words, discursive power enables actors to influence the framing of specific policy issues, to construct actors and identities, and to shape fundamental norms underlying societal organization.

The discursive power of business can enhance instrumental power in that the framing of policy issues in efforts to "lobby the public" can serve to generate public support for business' policy objectives and thereby increase pressure on policy makers. In such efforts, business has been found to employ, for instance, extensive media campaigns, to fund studies, and conduct conferences and discussions to shape public values, attitudes and knowledge (Berry 1997). Likewise, the discursive power of business is intimately tied to its structural power, especially its active rule-setting power. The perceived legitimacy of self-regulation and PPPs strongly depends on business being perceived as a legitimate political actor. If business communicates positive messages about its environmental and social conduct, PPPs and self-regulation will be more acceptable to the general public. Finally, the exercise of discursive power by business can enhance this discursive power itself by shaping constitutive norms of society and societal organization. Through its discursive power, business can influence the definition of the public and the private domains, for example. Most fundamentally, it has an effect on societal notions about politics, the political, and legitimacy as such.<sup>34</sup> In consequence, the discursive power of business can be exercised in a wide range of contexts and with various objectives, while, importantly, the reliance on persuasion rather than coercion greatly reduces the visibility of the exercise of discursive power (Hurd 1999).

While discursive power thus can be used to enhance instrumental, structural, and even discursive power itself, it obviously can do the opposite as well. In other words, while being the most "powerful power", it simultaneously is the most dangerous one if threatened. A decline or disappearance of the perception of the legitimacy would immediately lead to challenges to rule-setting power and would affect instrumental power as well. If business loses its legitimacy as a political actor in the eyes of the public, PPPs

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<sup>33</sup> See Kratochwil's *Rules, Norms, and Decisions* (1989) and Katzenstein (1996) on the nature and role of different types of norms.

<sup>34</sup> As Beck (2002) and Hajer (2003) convincingly argue, political order and "the rules of the game" can no longer be taken as given in a discursive polity but is subject to redefinition by those with discursive power. In the words of Beck (2002), business' new authority is giving it the revolutionary privilege to change the rules of the game.

and self-regulation, for instance, will become very difficult to justify. The precariousness of the situation becomes clear, when one considers how vulnerable the discursive power of actors actually is. After all, this power is relational in that it relies on the acceptance of the legitimacy of the sources of the power of discourse by the other participants in the discourse.<sup>35</sup> This acceptance, however, clearly is not something on which business can count in all cases and at all times. In fact, the question of legitimacy in politics and its sources presently is the site of a particular struggle among business, civil society, and the state.

Most fundamentally, the legitimacy and discursive power of business in general and TNCs in particular are vulnerable to scandals and crashes in market power, which in turn can render NGOs powerful enemies especially in times of world-wide mass media. This is particularly the case, as environmental and social NGOs have adapted their strategies due to their decreasing success in influencing governments since the late 70s and early 80s. Thus, the exposure of black sheep in the media, highly visible law suits, as well as the creation of pressure and negative publicity in shareholder meetings have become important tools of NGOs in targeting the legitimacy of business. National and transnational NGOs such as *Corporate Watch*, *Multinational Monitor*, or *Corporate Europe Observatory*, have made it their task to monitor corporate conduct and constantly threaten exposure and scandals.<sup>36</sup> In the end, even compliance with laws and regulations in the environmental and social arenas today does not guarantee security from scandals to managers and companies anymore, as Beck (2002) points out.

Moreover, the legitimacy of business has become particularly contested in the context of globalization (Gill 2002, Helleiner 2001).<sup>37</sup> Global surveys reveal high levels of suspicion of and aversion to corporations (Gallup International 1999). Likewise, numerous books in the popular and gray literatures lamenting the power of corporate actors have

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<sup>35</sup> This aspect is also reflected in Bourdieu's notion of symbolic capital, which derives its legitimacy from the ability of its holder to persuade others of the value of this capital as a source of power.

<sup>36</sup> In this context, business benefits from the lack of resources and difficulties and costs of gathering the necessary information by NGOs, however. If TNCs find it difficult to be informed about the production processes and practices of their suppliers, NGOs face even larger hurdles. Due to these difficulties and costs, the ability of NGOs to continuously, thoroughly, and comprehensively monitor business conduct should not be overestimated. Furthermore, this ability tends to be limited to the largest and most visible business actors to begin with. Finally, information overflow, the public's short attention span, and its general getting used to scandals constrain the ability of NGOs to successfully use publicity as a tool to challenge the legitimacy of business actors.

<sup>37</sup> Smythe (2000) argues for instance, that the failure of TNCs to obtain a Multilateral Agreement on Investment is indicative of business not having achieved sufficient legitimacy and power internationally. Other studies on the MAI, however, emphasize the lack of consensus on objectives among business actors as well as OECD governments (Lederer 1998). Mühleisen (2002) argues that the development of stricter rules for corporate accountability by the Bush administration is a sign of such contestation.

appeared in recent years.<sup>38</sup> Some observers, therefore, argue that current trends are both "empowering" and "enfeebling" TNCs (Prakash 2002, p. 514).

Some scholars even claim that the dominance of business interests and neoliberal ideas in global politics is an episode that is drawing towards its close, as signs of an increasing importance of social responsibility can be noticed again (Falk 1999, Florio 2002). Due to the particular nature of discursive power, such developments would pose a major threat to business' political role, of course. Discursive power does not just depend on actor characteristics, after all, but also on the system and its creation and support of certain norms and values. After all, business as an actor is embedded in a social setting in which it may shape discourse but in which simultaneously existing discourses enable and constrain it.<sup>39</sup> Specifically, today's discursive power of business cannot be understood without the global diffusion of neoliberal ideas (Tooze 2000). As pointed out above, the new authority gained by business at least to some extent is a function of the privileged position the neoliberal discourse grants it. The discursive power of business benefits from a focus on efficiency and growth and beliefs in free markets and concepts such as the invisible hand.<sup>40</sup> While business may be a prominent advocate of neoliberal norms through institutions such as the World Economic Forum or the European Roundtable of Industrialists, it is also dependent on non-business actors supporting these norms.<sup>41</sup> A fundamental change in societal values away from neoliberal norms, therefore, would likely bring about substantial changes in business' political role as well.

From the perspective of an individual business actor, the crucial issue is, of course, not just the issue of potential threats to its legitimacy as a political actor and to the various

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<sup>38</sup> See for instance Balanyá et al. 2000, Greider 1997, Keat 2000, Klein 2000, Korten 1995, Kurbjuweit 2003, Kuttner 1997, Luttwak 1999.

<sup>39</sup> The present analysis takes the perspective that discourses are shaping actors and societal relationships and are shaped by the latter. We need to be aware, of course, that various theoretic approaches to discourse disagree about the presence of agency as such. Foucauldian approaches and systemic approaches like Luhmann's are probably the furthest removed from a focus on agency, arguing that actors are objects rather than subjects in discourse. In this perspective, actors are required to comply with the rules set by dominant discourses about participation and contents and thus have to adopt a logic of appropriateness rather than an instrumental one. Habermasian approaches to discourse accept agency to a larger extent, as they perceive actors in a discursive situation to be able to choose and promote their respective arguments. In the ideal speech situation envisioned by Habermas, of course, the strategic use of arguments by actors pursuing their individual interests is less relevant than the search for a common understanding. Gramscian scholars, finally, combine the acceptance of agency with a focus on power and, thereby, gain a basis for inquiries into the strategic use and promotion of discursive power by actors.

<sup>40</sup> Even in times in which neoliberal ideas are dominant, of course, discourse does not only enable but also constrain business. Companies desiring protection against competition and standing to lose in the context of the liberalization of markets, for instance, face the difficulty of having to struggle against neoliberal norms and ideas, for instance.

<sup>41</sup> According to Mazey and Richardson (1997), the European Roundtable of Industrialists has played a pivotal role in the framing of the debate in the EU in terms of competitiveness and the constraints imposed by global markets on politics.

dimensions of its political power. The crucial issue for an individual business actor or in rare cases an industrial sector may in the end be survival. In the worst case, a business actor may go broke because of environmental liabilities, the disappearance of customers, or because governments withdraw the license to operate. If a business actor fails to fulfill certain expectations or to comply with what those in a position to "punish" it consider to be the rules of the game, the game may be over. On this account, a TNC as a political actor differs fundamentally from other political actors, especially states.

Clearly, business in general and corporate actors in particular are strongly aware of these potential challenges to their political power, economic base, and societal acceptance. Accordingly, business has increasingly tried to improve its moral legitimacy or at least to protect itself against threats to this legitimacy resulting from the perception of "moral," in particular environmental or social, misconduct.<sup>42</sup> In fact, investments in self-regulation and PPPs are unlikely to simply represent attempts to reduce risk by filling a governance gap or even attempts to avoid more stringent public regulation. To some extent they also represent efforts to improve the image of a company, industry, or business as such and thereby their moral legitimacy.<sup>43</sup>

Self-regulation in the form of codes of conduct can provide business with attractive story lines, to use Hajer's (1997) phrase. Such strategies have been particularly prominent in the context of concerns about the environmental conduct of business, but extend to other policy issues as well. In the environmental arena, business has participated in, supported, and shaped ideas and concepts such as "greening of industry," "green and competitive," "ecological modernization," "sustainable design," or "corporate environmental responsibility." These perspectives have by now been expanded to the notion of "corporate citizenship" in general, thus combining social and environmental aspects. The U.S. Chamber of Commerce, for instance, has established a Corporate Citizenship Center that hosts conferences and conducts public relations campaigns.

A second way, in which business actors have attempted to improve their legitimacy is by engaging in coalitions with civil society actors.<sup>44</sup> In this context, critical observers

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<sup>42</sup> Another type of strategy, business actors have employed to improve their position in the "distribution" of moral legitimacy and win discursive policy contests according to the literature is the attempt to undermine the legitimacy of other actors including politicians, IGOs or NGOs (Ong and Glantz 2000, Yergin and Stanislaw 1998).

<sup>43</sup> philanthropy can also serve to improve the moral legitimacy of corporate actors, of course, as it is a means of business to establish itself as a valuable societal actor. In fact, scholars point out that companies frequently give more to charity than to politics (Milyo, Primo, and Groseclose 2000). For an interesting argument on how corporations struggle between "looking good" and "doing good" see Himmelstein 1997.

<sup>44</sup> In a similar manner, TNCs have increasingly started to contract with regionally based firms, who are perceived as socially desirable, politically acceptable, and receive favorable local treatments (Langhorne



charge that business has co-opted, adapted, and incorporated other voices (Rutherford 2003). The support of civil society is especially important, since public opinion still can play a determinative role in politics. Studies have shown that obvious differences in public opinion and the preferences of the business community are typically resolved in favor of the former (Smith 2000). It is not surprising, therefore, that scholars find that business frequently builds coalitions with civil society actors in the context of specific issues and negotiations as well as in efforts to improve its general image, trying to increase its moral legitimacy by drawing on theirs.

When such partners for coalitions do not exist, business even creates its own NGOs: "Where partners in civil society cannot be located, one industry tactic has been to establish organizations ostensibly representing private citizens in order to give the impression of grass roots lobbying, an activity termed 'astroturf organizing'" (Levy and Newell 2002, p. 96). In fact, business-created NGOs often are extremely difficult to tell apart from societal ones due to the similarities in name and self-presentation with societal NGOs aligned on the other side of a policy issue. The most prominent example of this PR strategy is probably the "Global Climate Coalition" formed to prevent international agreements on climate change policies.

It is important to note, however, that all of these strategies carry inherent risks. With respect to self-regulation, for instance, it is unclear whether images of "corporate citizenship," or of "greenwashing" or "bluewashing" are winning the day. Again, business is responding to the latter challenge by increasingly cooperating with civil society in the development of codes of conduct and standards (Nadvi and Wältring 2002).<sup>45</sup> But the image of self-regulation is far from being untarnished. The same applies to PPPs. The Global Compact, for instance, is frequently criticized for involving no official evaluation of actual corporate compliance with the Compact's principles and for allowing business actors to use it as a superficial window-dressing measure. Should self-regulation and PPPs be widely perceived as governance failures at some point in the future, the legitimacy of business as a political actor clearly would be damaged. In this context, business therefore has to be very careful what expectations it creates and what tasks it promises to fulfill.

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2001). This development has led to a renaissance of the small to medium-sized firms simultaneous to the present wave of global mergers.

<sup>45</sup> Nadvi and Wältring (2002) identify five generations of global social and environmental standards in this respect, from company codes of conduct to sectoral codes developed by business, to international standards developed by business, to sectoral codes developed by business and NGOs together, to tripartite generic social standards.

Moreover, some observers point out that business may have entered a slippery slope. On the one side, self-regulation eventually may create a basis for a legalization of rules. More importantly, by offering to take on governance tasks, business actors may be unintentionally inviting further such tasks to be imposed on them. The World Summit on Sustainable Development in Johannesburg, for instance, witnessed public actors calling on private actors to take on further responsibilities. Similar developments can be observed in the area of conflict prevention. Thus, business increasingly finds itself in a situation, where one has to ask, not only whether it wants to fulfill the desired tasks but whether it can do so, and what the consequences would be in the case of failure. In fact, some business representatives will point out that with respect to the governance tasks they have to carry out today already, they find themselves in a role that they did not ask for.

Likewise, the founding of NGOs to create the appearance of civil society support for business' policy positions may turn out to be a high risk strategy. If the public and/or politicians feel cheated, business is likely to face a backlash. Thus, it may not be surprising that Levy and Newell (2002) found that in some highly visible policy cases efforts by business to influence national and international policy debates with its own NGOs failed.

The discursive power of business and with it much of its overall political power then is a very precarious power. In the long term, it will not be sustained by business' role as an expert in the provision of goods and services, but will require moral legitimacy. In spite of a considerable range of efforts by business to improve its moral legitimacy, however, it is far from secure and can easily be damaged by scandals. Once damaged, it will be even harder to regain, as the chemical industry has found out, whom consumers still tend to view in terms of its history rather than the current state of affairs.<sup>46</sup>

In sum, the "commanding heights"<sup>47</sup> are build on shaky grounds. The political power of business, in particular its discursive and rule-setting power, is vulnerable, as business' legitimacy as a political, economic, and societal actor is far from being uncontested. Scandals and market crashes can easily create fundamental challenges to this legitimacy. Aware of its vulnerability, in particular in terms of "moral legitimacy,"

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<sup>46</sup> Recent statistical studies of the Responsible Care program, the chemical industry's global code of conduct, suggest that the chemical industry as such, irrespective of what leading companies have done, also has not improved its record as much as is frequently claimed (King and Lenox 2000). However, these studies are probably not the problem as they are hardly known to the public. The problem the chemical industry is encountering is rather that the public is not willing to notice or trust the Responsible Care program to begin with.

<sup>47</sup> The term is used in references to Yergin and Stanislaw's *The Commanding Heights* (1998), in which they draw a highly critical picture of corporate political power.

business actors are investing in environmental and social governance efforts and collaboration with civil society. However, even these strategies are associated with risks, and their mid- and long-term fate remains to be seen.

## **V. Conclusion**

This paper started from the assumption that the political power of business in general and TNCs in particular is sufficiently large to warrant a better consideration of these actors and their power in a theory of International Relations. As a first step towards achieving that objective, the paper presented a differentiated analysis of developments in this power. This analysis delineated that the political power of business, in particular of TNCs, and here again in particular their rule-setting and discursive power has increased substantially over the last decades. At the same time, however, the paper argued that this new political power of business is fragile, as challenges to its moral legitimacy can damage its political power, undermine its economic base and/or lead to a withdrawal of its "license to operate." Even large and seemingly powerful TNCs, who may have won national or global policy contests in the past, can disappear almost overnight. Moreover, the failure of an individual business actor to comply with what politicians or customers perceive to be the rules of the game can easily affect other business actors as well. Thus, it is not only the "black sheep" that is vulnerable, but the "white sheep" as well.

By increasing its role in governance processes, business has gained more influence on policy input and output, as well as the norms underlying the policy process. At the same time, however, business has entered an arena in which it is more dependent on being perceived as a morally legitimate actor than ever before. While business has obtained authority as a political actor on the basis of its role as a politico-economic expert, in the long-run this basis will not suffice for an extensive and partly autonomous role in governance. Business' moral legitimacy, however, is far from secure, and in fact, the question of legitimacy is the site of a political contest itself. Governance failure or "moral" scandals on part of business can have dramatic consequences. Accordingly, any theory of International Relations that takes the power of non-state actors, specifically business, into account, will also have to develop an adequate concept of vulnerability.

Clearly, there is still a lot more research to be done. The discursive power of business, its extent and limits, as well as the dynamics underlying it, are not sufficiently

well understood yet. Likewise, crucial questions regarding the implications of its rule-setting power remain. Moreover, research is necessary in areas that this paper has not even touched, such as the interaction between business' political power and that of other actors. Risse pointed out in 1995 already that the ability to line up with powerful individual governmental actors is an important determinant of the ability of corporations and other transnational actors to win in the international political arena.<sup>48</sup> Other scholars have highlighted the existence of institutions in the gray area between private lobbying associations and official supranational governmental organizations.<sup>49</sup>

On the practical side, it will be interesting to see how the dilemma in which business in general and TNCs in particular may find themselves will be solved. Moreover, the questions arises how the white sheep may protect themselves against damage caused by the black ones. Finally, an interesting question is how far politicians and civil society will go in terms of trusting business to carry out governance tasks or in terms of asking business to take over governance tasks, and how far business is willing to initiate further contributions to governance or comply with respective demands. As pointed out above, business is now asked to take on responsibilities in conflict prevention. The business of business clearly is changing.

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<sup>48</sup> Likewise, in the case of the most recent WTO dispute, one should wonder whether the dispute is between the United States and the European Union or between Boeing and Airbus (Rittberger et al. 2004).

<sup>49</sup> The Transatlantic Business Dialogue (TABD), for instance, whose aim is to foster the development of an integrated transatlantic market for products, investment, and services and to prevent restrictive environmental and labor standards, was founded in 1995 by the US Ministry of Commerce, the EU Commission, and the European Roundtable of Industrialists (ERT) (Brand et al. 2000). The TABD consists of representatives of more than 100 of the largest TNCs, interacts directly with government representatives, and is an official consultative organ of the EU.

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