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“We made you, we can break you”
The influence of public opinion on
corporate decision making

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INTRODUCTION

The only time the so-called Christmas Liberation Front is mentioned so far was probably in the book *Captive State: The Corporate Takeover of Britain* written by George Monbiot. The Christmas Liberation Front first struck in December 1997. Manchester's celebrations had been sponsored that year by Renault, and the generous donor, in a surfeit of seasonal spirit, had attached its own logo to the top of the municipal Christmas tree. In the dead night a person or persons unknown climbed the tree, removed the Renault diamond and replaced it with a gold star. Christmas, their organisation declared, has been restored to the people.¹ This „walkover“ was, of course, only a minor victory for public opinion over a multinational corporation. And even the reason for the action – resembling more of an escapade planned and carried out by high-school students than real „anti-corporation“ activists – was very special. Nobody's vital interests were affected by the Renault diamond fixed to the top of the decorated pine tree. The only motivation for the members of the alleged Christmas Liberation Front was that the French carmaker company behaved as a bull in a china-shop: it tried to edge into the strictly non-commercial celebration of the holy Christmas.

But the public is able to score much more serious victories too. Politicians and governments of any political orientation are very well aware of the strength and power of the voters in democratic countries. Nevertheless they are notorious for ignoring public opinion while they are in power and paying attention to it again only when they are voted out by the people at the next general elections and land in the benches of the opposition. This ignorance is even more relevant for the corporate decision-makers. They tend to forget about the fact that the success of their business depends on their customers and they are deeply surprised when the public refuses to buy into some of their decisions. This ignorance can sometimes cost a fortune. McDonald's – the „incarnation“ of American corporate imperialism and number one target of anti-globalist activists –, Nike, Gap, Royal Dutch/Shell or Monsanto have already learned the lesson.

If the public has the power to depose a government, why shouldn't it have the power to influence the decision-making of a multinational company or even to enforce the change of its strategy. There is a theory regularly quoted by activists of various anti-corporate movements which they claim is providing irrefutable proof for the public that it is entitled even to exercise this power over the business community. „...corporations are much more than purveyors of the products we all want; they are also the most powerful political forces of our time. By now, we've all heard the statistics: how corporations like

¹ George Monbiot. *Captive State: The Corporate Takeover of Britain*; page 1

Shell and Wall-Mart bask in budgets bigger than the gross domestic product of most nations; how, of the top hundred economies, fifty-one are multinationals and only forty-nine are countries. We have read (or heard about) how a handful of powerful CEOs are writing the new rules of the global economy, engineering what Canadian writer John Ralston has called ‘a *coup d’état* in slow motion’. In his book about corporate power, *Silent Coup*, Tony Clark takes this theory one step further when he argues that citizens must go after corporations not because we don’t like their products, but because corporations have become the ruling political bodies of our era, setting the agenda of globalisation. We must confront them, in other words, because that is where the power is.”²

It is argued that not only national governments of the less developed countries – which are often left to the mercies of a handful of multinational companies – but the political leaders of the developed world and even the international organisations like the EU, OECD, WTO or IMF are turned into “devoted servants” of corporate interests. But if multinationals have become larger and more powerful than governments – and they unquestionably have – why shouldn’t they be subject to the same accountability controls and transparency that we demand on our public institutions? Corporate chairmen and CEOs are, of course, not elected as MPs and governments are. But since they are lobbying, influencing and sometimes even manipulating the various elected bodies – without informing the people of their in-camera negotiated deals – they probably must become subjects of public control, too.

As has already been mentioned, it can be a costly mistake to flout the power of public opinion. Politicians pay the price of such miscalculations not only at the ballot boxes. Sometimes government decisions provoke much more direct and immediate reactions. Let’s take the 1968 “revolution” of the students in France, which eventually led to the resignation of President Charles de Gaulle himself the following year. Or a more recent example: the “poll tax” riot in the UK in 1990 which forced Prime Minister Margaret Thatcher to leave 10 Downing Street after 11 years at power. She remembers the events in her way. “On Saturday 31 March, the day before the introduction of the community charge in England and Wales, a demonstration against the charge degenerated into rioting in and around Trafalgar Square. There was good evidence that a group of troublemakers had deliberately fomented the violence. Scaffolding on a building site in the square was dismantled and used as missiles; fires were started and cars destroyed. Almost 400 policemen were injured and 339 people were arrested. It was a mercy that no one was killed.”³

Multinational corporations control today the better part of the economy of Eastern and Central Europe thanks to the large-scale privatisation which took place during the last decade in the region and is almost accomplished now. The public opinion of the Eastern-

² Naomi Klein. *No Logo*; pages 339-340

³ Margaret Thatcher. *The Downing Street Years*; page 661

and Central-European countries, nevertheless, is not entirely prepared for the new power relations in the economy – and subsequently in politics.

Though Hungary was almost the only country in the region before 1989 where sociology was a well tolerated and developing scientific discipline and even some very basic surveys were conducted, public opinion had no practical importance until the change of regime. Governments are now elected in a free and democratic way and they can be voted out – as it happened in 1994 and in 1998 –, therefore politicians are today eager to know the level of their public support and the acceptance of their decisions.

But it is much easier to exercise control over the political machinery than to make the business community accountable. Especially in an environment of a declining economy, which is in a desperate need of foreign direct investment to such an extent that the multinationals are in a position today to impose their own conditions on the governments of the Central- and Eastern-European countries. Shortages in the seventies and eighties were part of the everyday life in the former Soviet Union, or in Poland and Romania during the communist period. Hungarian consumers were luckier, but there was still a lack of choice in the shops, and there were always products which were permanently in deficit. So Eastern-Europeans in general had no room for complaining. After 1989, however, the era of the free market economy began and the corporations are step by step forced to fight for the sympathy of the customers.

The public needed some time, naturally, to start to feel its strength. It started with spontaneous actions during the privatisation process off the early and mid-nineties, i.e. the workers protested against the closure of their company or against massive layoffs, but they rarely succeeded.

The first resounding victory of the Hungarian public over a multinational giant came only last year. A “popular movement” forced Danone to change its mind and, despite its cost-cutting strategy, not to close a biscuit factory in the western city of Győr. The French food-producer giant had bought GYŐRI Keksz- és Ostyagyár from United Biscuits just a couple of months before. Danone even admitted it had needed only access to the Hungarian and Central-European market, not the factory itself. (According to the campaigners’ e-mails, Győri Keksz had a 60 per cent market-share in 2000 in Hungary.) The proposed closure of the oldest and most famous Hungarian biscuit factory would have been a huge blow to the national pride – since it is producing well known and delicious “traditional” Hungarian products – and it was going to dismiss all the 700 strong labour force. The factory is sponsoring generously the local sport club, the theatre of the city, the popular cultural festival called the Győr Summer, etc. All these institutions could face the danger of running out of resources and eventual shutdown if they were to lose the financial support of the local biscuit-maker.

There were “chain” e-mails distributed throughout the cyberspace within Hungary and internationally calling for boycott of Danone products of every kind. Thousands of Hungarian consumers decided not to buy the products of the company any more. This was the first time Hungarian consumers organised such a big action of protest against a

multinational company. Eventually the campaigners scored a victory. (Their triumph, strictly speaking, was far from being a landslide victory, however. Danone backed down only temporarily: it will review the state of affairs in 2004 – and can opt again for the closure of the Hungarian biscuit factory.)

This dubious victory, nevertheless, was not without the involvement of different political forces of the country. The socialist mayor of the city of Győr jumped on the bandwagon immediately and the rightwing government followed his example the day after by creating a special Commission to inquire into the “business”. The issue was a convenient publicity vehicle just some months ahead of the general election of April 2002.

Lessons must be learned probably in the West, where anti-corporate movements have already developed sophisticated methods for this psychological and sometimes – like it happened, unfortunately, in Seattle, Prague, Goteborg, Québec or quite recently in Barcelona – brutally physical warfare against multinationals and accumulated tremendous experience. The only questions are whether this warfare is always legitimate and its goals are justifiable; and if they are whether the methods are immediately applicable in the emerging markets of Central and Eastern Europe...

FROM LUDDITES TO SEATTLE: HISTORY OF PROTESTS

From local interests to global ones

There are at least two clearly distinguishable forms of anti-corporate campaigning. The first category of such protests includes those cases when individuals or local communities speak up for their interests affected by one or another corporate decision. After all local communities also have the right to revolt against the plans of a multinational company, i.e. to build an unbearably noisy motorway next to their homes or a superstore in their neighbourhood, which will almost inevitably kill the original local retail business and consumer habits, presumably eliminate dozens of jobs, generate extra traffic – and, as a result, increased air-pollution –, and possibly damage the view of their residential area.

“The moment he walked into the public meeting at the Richmond Theatre in west London, Sir John Egan knew he was in trouble. There were hundreds of people waiting to tell him they did not want BAA, the company he headed, to build a fifth terminal at Heathrow airport. Worryingly, they were clearly not professional agitators. They looked like the people next door – which they were. ‘These are ordinary people, our neighbours’, Sir John told his managers the next day. ‘They’re not promoting an environmental or political cause; they’re just upset by the noise and the traffic’.”⁴ Yes, these protesters – as Egan was quoted by Financial Times – are just people next door. They are protecting their own way of life, the values of their own local community. Still, if they are determined, tenacious and loud enough, they can force giant corporations to back down.

The anti-corporate protesters of the other category, on the contrary, do not speak up for themselves. They fight for global causes, i.e. environmental protection or human rights. They boycott the products, attack the headquarters or demonstrate in front of the outlets of a company because the latter is responsible for the deterioration of rainforests, the elimination of the ozone layer and as a result the negative effects of the global warming. Multinational companies might also become targets of protesters because they co-operate with dictatorial and sometimes even murderous regimes, like oil companies in Nigeria, or have their products manufactured by children in sweatshops or by political prisoners in the Third World, like some of the sportswear or fashion companies. If the protesters win, it is somebody else in another corner of the planet, who enjoys the benefits of their victory.

⁴ Financial Times, March 6 2002 – Does caring boost the bottom line? – by Michael Skapinker and Alison Maitland (Corporate Social Responsibility series of articles, Part I.)

Finally there are, of course, some anti-corporate campaigners whom it is difficult to categorise. These protesters raise questions of global importance, therefore they are closer to the second group of campaigners. Probably the most significant representative of this group of campaigners is Ralph Nader, who launched his fight for improved car-safety in the US in the early sixties or the European consumer movements which speak up for food free of genetically modified ingredients potentially dangerous for human health. Still, if these protesters succeed, it is beneficial for they themselves and their own community too, as it is also part of the entire humanity. Therefore their campaigns tend to choose more down-to-earth goals, which can be grasped by the man in the street, than the environmental or human rights protesters do.

(There is also another category of protesters who tend to speak up against some corporate decisions, but they are clearly not in the same league as the above described campaigners. They protest, for example, against the rise in price of fuel, like the participants of the memorable petrol crisis, which took place in the UK in early 2001. That is to say they fight for the enforcement of their very personal interests by purely and simply taking advantage of the coincidence of those with the interests of the other hundreds of thousands or even millions of car-owners.)

The birth of anti-corporate movements

Organised or spontaneous protest movements against corporate power were born probably together with modern capitalism. The pioneers were most likely the Luddites, a group of skilled English textile workers in the early 1800s who protested against the changes produced by the industrial revolution that they felt threatened their jobs. Their fears were absolutely legitimate since large numbers of skilled textile workers had been laid off after advances in technology replaced the need for them. In reaction to being laid off, they burned mills, terrorised the owners and then destroyed the labour-saving machines that cost them their jobs. They were named after a certain Ned Ludd (or Lud), also known as “King Ludd”. Whether or not Ludd actually existed is historically unclear. There are various legends around his mythical personality. One version of his life-story suggests he was a half-witted Leicestershire boy from the 1770’s who, in response to a severe beating from his father, angrily smashed his stocking frame.⁵ The Luddites themselves were telling a different story. According to them Ned Ludd was a textile worker who destroyed two large stocking-frames that produced inexpensive stockings undercutting those produced by skilled knitters. There was, they claimed, even a “workers manifesto” allegedly signed by Ned Ludd himself.⁶

The Luddites, who had rioted with pikes, halberds, death threats and sloppy terrorist techniques, ended up in bloodshed. The movement spread rapidly throughout England in 1811, with many wool and cotton mills being destroyed, until the British government suppressed them harshly. After having declared “machine breaking” a capital crime the

⁵ www.usu.edu – Utah State University

⁶ www.wikipedia.com – Wikipedia, the free Internet-encyclopedia

authorities executed 17 Luddites in 1813, and they finished with the whole movement by 1816 having squashed the rioters with more hangings and transportation out of the wool-producing regions of England. A couple of years later their movement was replaced by a much more sophisticated and organised form of enforcement of workers' interests: trade unions.

Nevertheless the Luddist protest is subject to an astonishing "resurrection" in the early years of the new Millennium. Neo-Luddism is the buzz-movement of our days. The Neo-Luddites claim: the computers of today are able to do the work of a master accounting or publishing or graphic design squad or even that of a political or economic think tank. That is to say, all of those skilled and qualified guys can find themselves one day out of business. The new rebellion of the early 21st Century, however, has no chance, it will fail as certainly as the Luddites did two centuries ago. An idea, once invented, can never be destroyed. The failure of the "Kill Your Computer" is almost obvious in itself: the Neo-Luddites have discredited themselves immediately when they have started to disseminate information and organise their followers via Internet.

Consumer riots, however, date back even earlier.

Tulipomania and other extraordinary stories

According to John Kenneth Galbraith the first modern stock market appeared in Amsterdam at the beginning of 17th century. This very stock market became in the 1630s the scene of the first and to this day one of the most remarkable of the great speculative explosions known to history. The scandal has been known ever since as Tulipomania.⁷

Tulips grow wild in the eastern Mediterranean and further eastwards from there, but they appeared first in Western Europe only in the middle of the 16th century. The appreciation of the rare flowers became, in time, extremely great – enormous prestige was soon attached to the possession and cultivation of the plant. The desire to possess and display the more exceptional of the flowers rapidly gave way to a yet deeper appreciation of the increase in the price that their beauty and rarity were commanding. The increase seemed to be without limit. The rush to invest engulfed the whole of Holland. By 1636, a bulb of no previously apparent worth might be exchanged for "a new carriage, two grey horses and a complete harness".⁸ A bulb might have changed hands several times at steadily increasing and wonderfully rewarding prices while still unseen in the ground.

At first, as in all these gambling mania, confidence was at its height, and everybody gained. Many individuals speculating on the tulip stock exchange grew suddenly rich. Everyone imagined that the passion for tulips would last forever. Nobles, citizens, farmers, merchants, mechanics, seamen, maidservants, even chimney-sweeps and old clotheswomen, dabbled in tulips. People of all grades converted their property into cash –

⁷ John Kenneth Galbraith. A Short History of Financial Euphoria; page 27

⁸ John Kenneth Galbraith. A Short History of Financial Euphoria; pages 27-30

houses and lands were offered at ruinously low prices – and invested it in flowers. Money poured into Holland from all directions.⁹

In 1637 came the end. The wise and the nervous began to detach, no one knows for what reason. Others saw them go and the rush to sell became a panic. The prices dropped as if over a precipice. Those who had purchased, many by pledging property for credit were suddenly bereft or bankrupt. According to a contemporary witness, Charles Mackay, “substantial merchants were reduced almost to beggary, and many representatives of noble line saw the fortunes of his house ruined beyond redemption”.¹⁰

In the aftermath the bitterness, recrimination, and search for scapegoats were extreme. Angry sellers sought enforcement of their contracts of sale; the courts, identifying it as a gambling operation, were unhelpful. Not less than with the failing banks and savings and loan associations, the state then emerged as the recourse of last resort.¹¹

Less than half a century later another scandalous speculation of size took place in Europe. The key figure of the events is the Scotsman John Law, a controversial financial talent and gambler. Law arrived into Paris in 1716. Louis XIV had died the year before, leaving two legacies that would prove to be important for Law. “One was the Regent for the young Louis XV: Philippe II, Duc d’Orléans, was a man who combined a negligible intelligence with a deeply committed self-indulgence. The other was a bankrupt treasury and numerous debts deriving from the Sun King’s persistent wars and civil extravagance and the extensive corruption among the tax farmers assigned to the raising of the revenues. To both of these opportunities Law addressed himself.”¹² On May 2, 1716, he was accorded to establish a bank, which eventually became the Banque Royale, with a capital of six million livres. Included was authorisation to issue notes, which were then used by the bank to pay current government expenses and to take over past government debts. The notes – in principle exchangeable for hard coin – were well received, which prompted the next waves of issues. Soon a source of earnings in hard cash was needed to support the note issue. This was provided in theory by the organisation of the Mississippi Company (Compagnie d’Occident) – later, with larger trading privileges, the Company of the Indies – to pursue the gold deposits that were presumed to exist in the great North American territory of Louisiana. There was no evidence of the gold, but nobody took time for doubting. Shares of the company were offered to the public, and the response was sensational. The old bourse in the Rue Quincampoix was the scene of the most intense, even riotous, operations in all the history of financial greed. So determined were some women purchasers that they offered even themselves for the right to buy shares.¹³

The income from the sale of the shares of the Mississippi Company went not to search for the as yet undiscovered gold, but to the government for its debts. The notes that went out to pay the debt came back to buy more stock. More stock was then issued to satisfy more

⁹ John Kenneth Galbraith. *A Short History of Financial Euphoria*; pages 31-32

¹⁰ John Kenneth Galbraith. *A Short History of Financial Euphoria*; page 33

¹¹ John Kenneth Galbraith. *A Short History of Financial Euphoria*; pages 33-34

¹² John Kenneth Galbraith. *A Short History of Financial Euphoria*; page 37

¹³ John Kenneth Galbraith. *A Short History of Financial Euphoria*; pages 37-38

of the intense demand, the latter having the effect of lifting both the old and the new issues to ever more extravagant heights. The amount of the coin in the Banque Royale was soon minuscule in relation to the volume of its notes.¹⁴

In 1720, the end came. The precipitating factor was most likely the decision of the Prince de Conti, annoyed by his inability to buy stock, to send his notes to the bank to be turned in for gold. According to the legend, three wagons carried the gold back to him, but the regent then intervened at Law's request and ordered the Prince to return it all. But it was already too late. Others were seized by the thought that gold might be better than notes. To restore confidence a battalion of Paris mendicants was even recruited – a fake one, of course –, and the members were equipped with shovels and marched through the streets of the French capital as though on the way to mine the gold in Louisiana. Not surprisingly many of them were seen back in Paris in the next weeks. The rush for converting the notes into gold continued. On one day in July 1720, fifteen people lost their lives in the crush in front of the Banque Royale. The notes were declared no longer convertible. Citizens, who a week before were millionaires became suddenly impoverished.¹⁵

Next came the predictable anger, the search for the individual or institution to be blamed. Despite the gratitude of the king John Law soon became “the object of the most venomous condemnation”.¹⁶ It was John Law who was deemed responsible, as was his Banque Royale, and for a century in France banks would be regarded with suspicion.¹⁷ Protected by the Regent, Law himself got out of France and spent four years in England, having then finished his life in Venice in “decent” poverty.

The British have their own financial nightmare story, too. According to Galbraith, however, it was “a rather ordinary, if exceptionally intense, boom and collapse in securities prices augmented by a comprehensive exercise in official bribery, corruption, and chicanery.”¹⁸

The South Sea Company was born in 1711 at the instigation of Robert Harley, Earl of Oxford, who was joined in the early years of the enterprise by one John Blunt, a scrivener by profession accomplished in the copying of legal documents and not less in learning of their contents. The origins of the developments resemble to those of the Mississippi Company-saga in France. The British government had accumulated a significant debt in the previous years of the War of the Spanish Succession. This time it was the above mentioned South Sea Company taking over and consolidating the diverse government debt. It was paid interest by the government at the rate of 6 per cent and in return received the right to issue stock and became the sole trader with the territories of America including the countries “reputed to belong to the Crown of Spain, or which shall hereafter be discovered”. Thoughtfully overlooked was the fact that Spain claimed a monopoly

¹⁴ John Kenneth Galbraith. *A Short History of Financial Euphoria*; page 39

¹⁵ John Kenneth Galbraith. *A Short History of Financial Euphoria*; pages 39-40

¹⁶ John Kenneth Galbraith. *A Short History of Financial Euphoria*; page 41

¹⁷ John Kenneth Galbraith. *A Short History of Financial Euphoria*; page 42

¹⁸ John Kenneth Galbraith. *A Short History of Financial Euphoria*; page 43

over all truck and trade with the region.¹⁹ Further issues of stock were authorised and, early in 1720, the whole public debt was assumed. The legislation was facilitated by the endowment of gifts of the South Sea Company stock to key ministers of the British government, and also by the „happy coincidence” that several directors of the enterprise sat in the Parliament.²⁰

The scenes in Paris a couple of months earlier were repeated in the streets of the London City. The stock of the South Sea Company, which had been at around £128 in January 1720, went to £330 in March, £550 in May, £890 in June, and to around £1000 later in the summer. “Not before in the kingdom, and perhaps not even in Paris or Holland, had so many so suddenly become so rich.”²¹

In July of 1720, the government finally called a halt. By September the stock was down to £175, by December to £124. The government, caught by surprise, eventually intervened, and with its support shares were levelled off at around £140, approximately one-seventh of their peak value.²²

There soon followed the brutal search for scapegoats. Blunt – more precisely Sir John Blunt at the time already – narrowly escaped death when an assailant sought to shoot him down in a London street. He later managed to secure himself a „judicial shelter” with the help of his fellow conspirators in the government. Individuals associated with the company were expelled from Parliament. Directors and other officials of the South Sea Company (including Blunt) had their money and estates confiscated to provide some compensation to the losers. Robert Knight, the company’s treasurer, departed suddenly for the Continent, but was pursued, imprisoned and his extradition sought. He managed to escape and lived in exile for the next 21 years. James Craggs, an influential elder statesman of the affair, committed suicide. Others went to jail.²³

Despite these lessons learned, the seduction of a sudden fortune is so big even today that people all over the globe tend to commit the same mistakes again and again. After these early financial scandals – ending up most of the time in brutal riots – there were still more „tulipomanias” to come in the next centuries. And one can be sure that we will witness similar frenzies in the future, too.

(Nevertheless, while the anti-globalisation movements and the street-fights in cities like Seattle, Genoa or, more recently, Barcelona smack of the enraged spontaneity of the Luddist, the latter historical riots are, however, much closer to the current outrages following the scandalous collapses of some giant corporations. The indignant people in these cases have no intention to get rid of the whole system, they are just infuriated by the irresponsible or sometimes even law-breaking behaviour of the corporate CEOs. The most recent example is probably the controversial and disgraceful collapse of the US

¹⁹ John Kenneth Galbraith. A Short History of Financial Euphoria; pages 43-44

²⁰ John Kenneth Galbraith. A Short History of Financial Euphoria; pages 45-46

²¹ John Kenneth Galbraith. A Short History of Financial Euphoria; pages 48-49

²² John Kenneth Galbraith. A Short History of Financial Euphoria; page 50

²³ John Kenneth Galbraith. A Short History of Financial Euphoria; pages 50-51

energy giant, Enron in late 2001. According to *The Economist*: „The Enron affair, though it raises many questions, is not arousing fury because Americans are turning against business; it is doing so because so many Americans have put money into the stock-market. A businesslike people cannot afford to see lax rules and unscrupulous chancers undermine the health of the entire system. America loathes Mr Lay [former head of Enron] because it treasures the notion that business should do the country good.”²⁴)

Early 20th Century: The Jungle

There had been, naturally, many significant consumer crusades over the earlier decades of the 20th Century too. According to David Bollier, the biographer of the world famous consumer activist and US presidential candidate during the 2000 elections, Ralph Nader, the activist chemist, Dr. Harvey Wylie, was for example the chief catalyst for the creation of the Food and Drug Administration in 1906 in the US. His campaign received even a welcome assist from Upton Sinclair’s devastating, fact-based novel, *The Jungle*. Frederick Schlink and Stuart Chase’s book, *Your Money’s Worth* published in 1927, became a best-seller by extolling scientific testing of products as a means to pierce the deceptions of modern advertising. With similar revelations of sellers’ abuse of consumers, Schlink and Arthur Kallet’s 1933 book, *100,000,000 Guinea Pigs: Dangers in Everyday Foods, Drugs and Cosmetics*, fuelled the movement for independent product testing. Three years later, Colston Warne and others founded the Consumers Union, the publisher of *Consumer Reports*, to provide American consumers with reliable, scientifically valid product information. Another landmark event was the publication, in 1962, of *Silent Spring*, Rachel Carson’s well-documented account of the environmental and health risks of pesticides. A few bold politicians with a sense of justice – among them Senators Hubert Humphrey, Estes Kefauver, Philip Hart, Gaylord Nelson, and President Lyndon Johnson – were responsible for some new consumer protection laws and programs. But most of their reforms were achieved through happenstance of tragedy (highly flammable sweaters prompted the Flammable Fabrics Act of 1953; the thalidomide drug tragedy pushed through the 1962 drug effectiveness amendments) or chance legislative opportunity.²⁵

New forms of challenging the corporate power: Ralph Nader

Ralph Nader’s arrival on the scene then in 1965 stood for a new milestone on the road towards the modern anti-corporate movements. Born in 1934 to Lebanese immigrants he became a rebellious character even in his high-school years. Entering Princeton in 1951 as Dwight Eisenhower presided over the conformist „silent generation” of the post-war period, Nader was never one for fitting in. After finding dead birds, for example, on the campus lawns, he tried to ban the spraying of DDT on the trees. The editors of the *Daily*

²⁴ *The Economist*, February 16-22 2002 – The businessman as villain

²⁵ David Bollier. *Citizen Action and Other Big Ideas: A History of Ralph Nader and the Modern Consumer Movement*

Princetonian scoffed in response, claiming that the university's chemistry and biology professors would surely have objected if DDT posed any danger.

After, graduating from Princeton in 1955, Nader went on to Harvard Law School where a bit later he first explored an unorthodox legal topic at that time: the engineering design of automobiles. His research resulted in an April 1959 article published in *The Nation*, „The Safe Car You Can't Buy”. In his revealing article he declared: “It is clear Detroit today is designing automobiles for style, cost, performance and calculated obsolescence, but not – despite the 5,000,000 reported accidents, nearly 40,000 fatalities, 110,000 permanent disabilities and 1,500,000 injuries yearly – for safety”.²⁶

Several years of lawyering in Hartford and footloose world travelling as a freelance writer had been to come, before Nader eventually arrived in Washington and began work on a book elaborating on the themes of his one-time *Nation* article. *Unsafe at Any Speed: The Designed-in Dangers of the American Automobile* was published in November 1965 by Grossman.

Its chief target was General Motors' sporty Corvair, whose faulty rear suspension system made it possible to skid violently and roll over.²⁷ The corporate negligence that had produced the various Corvair defects, said Nader, was “one of the greatest acts of industrial irresponsibility in the present century”. More generally, his book documented how Detroit habitually subordinated safety to style and marketing concerns. The main cause of car injuries, Nader demonstrated, was not the „nut behind the wheel” so often blamed by the auto industry, but the inherent engineering and design deficiencies of the motor vehicle that was woefully uncrashworthy. Solutions must focus, accordingly, on the vehicle itself.

This pioneering insight, that blame often lies not with hapless individual consumers but unresponsive oligopolistic sellers, would become a recurring theme in Nader's many investigations.

Despite reviews in national publications, initial sales of the book were modest. It was practically ignored by the public, but not by its chief target, General Motors. GM hastily hired private detectives to tail Nader in an attempt to dig up information that might discredit him. The company hired even some women to accost him in an apparent seduction/blackmail scheme. Instead, journalist James Ridgeway broke the story about GM's dirty tricks in *The New Republic*, prompting Connecticut Senator Abraham Ribicoff's subcommittee, which was exploring what role the federal government might play in auto safety, to summon James Roche, president of General Motors, to explain his company's harassment – and apologise.²⁸

²⁶ David Bollier. *Citizen Action and Other Big Ideas: A History of Ralph Nader and the Modern Consumer Movement*

²⁷ David Bollier. *Citizen Action and Other Big Ideas: A History of Ralph Nader and the Modern Consumer Movement*

²⁸ David Bollier. *Citizen Action and Other Big Ideas: A History of Ralph Nader and the Modern Consumer Movement*

The remarkable episode catapulted auto safety into the public spotlight and helped send *Unsafe at Any Speed* to the top of the best-seller lists. More importantly it gave birth to the author as a public figure. He was only 32 years old. The incident also served as a proof of a core Nader conviction: one person, acting with intelligence and persistence, can make a difference – even if the target is one of the largest corporations in the world. Forget the idea of being an inconsequential private citizen; one should be an engaged, questioning „public citizen” – this thought became his credo.

David succeeded to slay a Goliath. But how did it actually happen?

The first real test of Nader’s “public citizenship” was the fight to institutionalise the safety lessons exemplified by the Corvair. Shrewdly anticipating Detroit’s resistance to any federal regulation, he persuaded a friend, Iowa Attorney General Lawrence Scalise, to hold auto safety hearings in January 1966. This tactical manoeuvre attracted national attention, spurring Senator Ribicoff to launch his own major hearings two months later. Senator Ribicoff’s March 1966 hearings opened amidst intense public interest, and, with Nader’s lobbying, led to Washington Senator Warren Magnuson’s celebrated hearings a few weeks later and eventually two new laws to promote auto and highway safety. A new federal agency, the National Highway Traffic Safety Administration (so named in 1970), instituted a series of reforms that Americans now accept as commonplace: federal safety performance standards for all motor vehicles; federal authority to conduct investigations into safety defects and order to recalls; federal research and development of new safety technologies; a highway safety program; and many other safety programs.

For the first time, the federal government was affecting the investment decisions, research priorities and technological independence of carmakers. More engineering talent and funds would have to be committed to improving vehicle safety and less to inconsequential stylistic changes. The following figures speak for themselves: in 1964, GM spent only \$1 million of its \$1.7 billion in profits to fund external automobile accident research.

Speaking for many of his Detroit colleagues, Henry Ford II complained that the new auto safety standards were „unreasonable, arbitrary and technically unfeasible...if we can't meet them when they are published we'll have to close down”.²⁹ But in 1977, an older and wiser Henry Ford conceded on *Meet the Press*: „We wouldn't have the kinds of safety built into automobiles that we have had unless there had been a federal law”.

Though Ralph Nader was originally a “lonely crusader”, he understood very well the importance of the public opinion in influencing the corporate decision-making, in forcing the companies to become socially more responsible. And he was aware of the seemingly obvious fact that while the corporations have the right to refuse to give information to the public they will always be unaccountable. “A principal reason why the automobile has remained the only transportation vehicle to escape being called to meaningful public account is that the public has never been supplied the information nor offered the quality

²⁹ David Bollier. *Citizen Action and Other Big Ideas: A History of Ralph Nader and the Modern Consumer Movement*

of competition to enable it to make effective demands through the marketplace and through government for a safe, non-polluting and efficient automobile that can be produced economically” – he pointed out in his book. – „The specialists and researchers outside the industry who could have provided the leadership to stimulate this flow of information by and large chose to remain silent, as did government officials”.³⁰

According to David Bollier, before Nader’s appearance, „consumerism” was often a trivialised concept that dealt with shopping for the best bargains and redeeming supermarket cents-off coupons. It did not put forth an analysis of corporate or governmental power. Nor did it constitute an independent „countervailing force” to the enormous power wielded by business in the marketplace and government policymaking.

Following passage of the new auto safety law in 1966, Nader set out to investigate and expose other varieties of corporate abuse. Between 1966 and 1969, his findings helped spur passage of new laws dealing with the unsanitary conditions of meatpacking and poultry production, the first significant reform of those industries since 1907. He highlighted the dangers of natural gas pipelines, radiation emissions from television sets and X-rays, and hazardous working conditions in coal-mines.

In June 1968, Nader formed his first task force of crusading students. Comprised of seven law student volunteers the group began looking into the Federal Trade Commission (FTC) and discovered „an agency fat with cronyism, torpid through an inbreeding unusual even for Washington, manipulated by the agents of commercial predators, impervious to governmental and citizen monitoring”. The report eventually triggered a major revamping of the FTC headquarters and its field offices. As if to signal its transformation, the Commission soon thereafter launched a major investigation of the structure and practices of the food industry.

By 1969, Nader had become a known, trusted and admired presence in the nation’s political life. Inspired by the success of the FTC report, thousands of idealistic students clamoured to work for him. His ad hoc task forces were soon turning out explosive reports that made official Washington sit up and notice. The same year, through several foundation grants, Nader founded his first group, the Center for Study of Responsive Law. The student-composed task forces of the center provided some revealing reports, which had the effect of an explosive. The first year they were charged with investigating corruption and incompetence at the Interstate Commerce Commission, the now-defunct agency, which regulated trucking and railroad rates (*The Interstate Commerce Omission*, by Robert C. Fellmeth, 1970). Then with documenting the health hazards of air pollution made worse by irresponsible businesses and complicit politicians (*Vanishing Air*, by John Esposito, 1970) and exposing the Food and Drug Administration’s lax oversight of the food industry (*The Chemical Feast*, by James Turner, 1971). In subsequent summers, new “raids” were launched against the nation’s worsening water pollution and the lack of an effective federal response (*Water Wasteland*, by David Zwick and Marcy Benstock, 1971); the secrecy, conflicts-of-interest and concentration of power held by First National City Bank (*Citibank*, by David Leinsdorf and Donald Etra, 1971); the indignities and

³⁰ Ralph Nader: *Unsafe at Any Speed: The Designed-in Dangers of the American Automobile*

frauds practiced by nursing homes (*Old Age: The Last Segregation*, by Claire Townsend, 1971); the dangerous use of pesticides on agricultural crops (*Sowing the Wind*, by Harrison Wellford, 1972); the rampant despoliation of land in California by developers and speculators (*Politics of Land*, by Robert C. Fellmeth, 1972); and the degeneration of the Community Mental Health Centers Act into a mismanaged, ineffective bureaucratic boondoggle (*The Madness Establishment*, by Franklin D. Chu and Sharland Trotter, 1972). Seventeen books had been completed by 1972.³¹

By 1970, Nader had founded three additional groups to expand the scope of citizen action. One of these new groups was the Center for Auto Safety, originally a joint project with Consumers Union, now wholly independent. Another early group, the Project on Corporate Responsibility began agitating for a larger voice for consumers and shareholders in corporate policymaking. Finally, Nader also established the Public Interest Research Group, a group of 13 attorneys, each of whom undertook assorted projects. One petitioned the FDA to require disclosures of the phosphate content of laundry detergent. Another waged a lawsuit to have the FDA require better health warnings on birth control pills. Two of them moved to West Virginia to mobilise community opposition to Union Carbide's stifling air pollution.

(Despite these efforts back in the US, the Union Carbide is responsible for the second largest industrial accident in human history after Chernobyl: a massive toxic leak in 1984 at the company's pesticide factory in Bhopal, India. The horrible catastrophe killed two thousand people immediately and has taken five thousand more lives in the years since. The tragedy is widely recognised to be the result of weak safety precautions including a switched-off alarm system.³²)

So this was the heroic beginning of the crusade initiated by Ralph Nader. It goes on today with the same swing with which it had been launched more than four decades ago and most of the leaders of today's American consumer movements look back to this very movement when they are trying to identify their roots.

³¹ David Bollier. *Citizen Action and Other Big Ideas: A History of Ralph Nader and the Modern Consumer Movement*

³² Naomi Klein. *No Logo*; page 336

ANTI-GLOBALISATION PROTESTS: VIOLENT VS. PEACEFUL

Anti-globalisation rioters and baton-wielding police clashed on Barcelona's emblematic main boulevard, Las Ramblas, on March 15, 2002. The Catalan capital was the host city of European Union leaders' summit about the economic future of the continent, which was going to become the most competitive economy in the world.

The initially peaceful protests across the city turned ugly when a mysterious group called Marc Attack demonstrated outside the Liceu opera house. Police baton-charged the crowd as a breakaway group began to move down the boulevard. More than 100 protesters, many wearing masks and helmets, poured into a neighbouring street, hurling bricks at the windows of luxury hotels. There was more trouble in other parts of the city last night, with police charging another protest in the Gracia neighbourhood.³³

It was, at the moment of writing this paper, the latest battle-on-the-streets between anti-globalisation protesters and local police of a town hosting a conference of world leaders who had come together for arguing about global economic and business issues.

Violence is, of course, far from being inevitable. Just a few weeks earlier, in mid-February, the 32nd World Economic Forum passed off without riots and street-fight. The prestigious meeting of world leaders, businessmen and well-known economists, which is usually held in the tiny Swiss town Davos, went to New York by exception, as a gesture to the metropolis so ferociously hit on September 11th previous year. The security measures were obviously almost unprecedented. There were 12,000 policemen alongside private security guards on the streets and inside the buildings of central New York to ensure the peace of the forum. They manned concrete roadblocks and trucks loaded with sand, defining a 15-block zone around the main venue, the Waldorf Astoria hotel. Aircraft were banned from airspace within a two-mile radius of the building. On Fifth Avenue, the temples of consumer capitalism – Gucci and Rolex, Gap and Citibank – seemed to be populated by as many uniformed guards as shoppers. Former mayor Rudolph Giuliani, a conference guest, displayed the calm resolve for which he has become famed: „I expect this meeting to be peaceful, and I expect that even if it isn't, it will be handled very, very quickly – and you won't even know it”.³⁴

The eventual development of the events justified Giuliani's optimism. The New York police didn't have to use force against any protesters disagreeing with the ideas on the agenda of the World Economic Forum. This was, of course, not only the consequence of the deterrent presence of the police forces on the streets of the city, it had a lot to do with the World Social Forum in Porto Alegre, Brazil. But I will return to this event a bit later.

³³ The Guardian, March 16 2002 – Anti-globalisation protesters clash with police – by Giles Tremlett

³⁴ The Guardian, February 1 2002 – 12,000 police aim to ensure peace – by Oliver Burkeman

First let's see where, when and how the protest against globalisation turned into violence on the streets of cities where the various summits and conferences were and are held. It happened in the US metropolis Seattle in December 1999.

“Shame, shame, shame on you”, chanted the protesters beyond the lines of Darth Vader-style police, the armoured cars, the horsemen, the National Guard and the dogs. The tear gas was heavy on the air, the police were now firing plastic bullets into the weeping crowd and the Ministerial Round of the Seattle world trade talks was in crisis.

The opening ceremony had just been cancelled because delegates were being corralled in their hotel suites. Even the combative US trade representative Charlene Barshefsky was unable to attend.”³⁵ This is how John Vidal, the correspondent of The Guardian started his dramatic reportage of the Battle of Seattle.

The week of the Seattle talks turned out to be an endless nightmare for the World Trade Organisation and for its director general Mike Moore. There were riots, rallies and marches against it in at least 20 countries, and, to make matters worse, US President Bill Clinton and senior international figures chastised it for being secretive and closed.

But the worst was still only to come. By Friday night all the powerful First and Third World environment, development and human rights groups were condemning the way the talks were being powered through by the Americans to protect their own trading interests – to reduce agricultural subsidies and open up vast new markets. And more than 40 African, Caribbean and Latin American countries had united in protest against the way poor countries were being bullied by the rich and the way their concerns were being marginalised.³⁶

But what did happen meanwhile inside the negotiating rooms? An unprecedented rebellion was in the offing. With just hours left before the talks were scheduled to conclude – and a deal looking increasingly uncertain – the WTO secretariat went into panic mode. Press conferences, briefings and backroom discussions were cancelled. The Americans reportedly tried some last-ditch offers of bilateral aid in an effort to retrieve any chance of a new round of trade talks, and put immense pressure on national governments, but it was not enough to quell the revolt. For the first time in history the poor countries of the world had told the rich they weren't playing the First World's game. For the first time, Africa was united. The „green room discussions”, the next level of debate, were excluding the poor. At least one African delegate was physically barred from attending. And there was the style and manner of the US chief negotiator Charlene Barshefsky who was judged personally offensive, patronising and insulting. She was even booed in one plenary meeting.³⁷ Still, the chairs of the various working groups were reporting consensus when none existed.

³⁵ The Guardian, December 5 1999 – Real battle for Seattle – by John Vidal

³⁶ The Guardian, December 5 1999 – Real battle for Seattle – by John Vidal

³⁷ The Guardian, December 5 1999 – Real battle for Seattle – by John Vidal

The global perception of the WTO was indelibly stained, said the hundreds of non-governmental groups who were in Seattle to protest and observe. Unless it was radically reformed, they argued, it was liable to give new life to increasingly coherent global dissent. Judging from Seattle, the coalition of opposition to „neo-liberalism” was growing strongly. Students, small farmers, small businessmen, the debt campaigners, church groups, students and indigenous peoples were – and are – all finding common cause and linking strongly. While the media concentrated on Seattle’s riots, the tear gas and the looting, the demands on the streets of Seattle were not for an end to world trade but for a fairer and more democratic system. And even Americans watched the live broadcasts with a mixture of fascination and respect. Certainly in Seattle, most people were broadly supportive of the protesters who did not resort to violence. There were thousands of peaceful protesters – alongside the violent anarchists – in the streets of Seattle, even if it is already a rather well forgotten fact today.

Why did it start in Seattle and not somewhere else months or years earlier? If we accept the explanation provided by George Monbiot, a deeply committed anti-globalisation journalist himself, the main reason was the Multilateral Agreement on Investment (MAI) under preparation in the second half of the nineties. According to Monbiot the MAI had been proposed and drafted by businessmen, and secretly discussed by governments.³⁸ In December 1996, at the Singapore ministerial meeting of the organisation its then director general Renato Ruggerio had described the intended agreement as „the constitution of a single global economy”.

The draft of the text was leaked to anti-globalisation campaigners in 1997. They put it on the Internet and held demonstrations wherever its negotiators – the member-states of the Organisation for Economic Co-operation and Development (OECD) and the biggest multinational corporations of the world – met.

At first sight the aims of the MAI seemed sensible. It would have created a predictable, reliable legal framework governing interests made by foreign companies. The signatory countries would have not been allowed arbitrarily to seize the property of a foreign company, or to pass laws whose purpose was to discriminate against certain investors.

The MAI, however, would have allowed corporations directly to challenge laws passed by national or local governments, through a special tribunal. If the latter decided in favour of the corporation, the offending country would be obliged both to remove the law in question and to compensate the company for any losses it had sustained as a result of the law – and even for the profits it might have made had the law not existed. The key regulations of protecting the workforce, the environment and the consumers from some of the ill effects of international trade were threatened.³⁹ If the MAI had been entered into force, the local authorities wouldn’t have been allowed to try any positive discrimination of local workforce or local suppliers. It could have led to major international lawsuits. There wouldn’t have been any more opportunities to ban genetically modified food, to boycott products from dictatorial regimes like South-Africa during the apartheid or

³⁸ George Monbiot. *Captive State: The Corporate Takeover of Britain*; page 302

³⁹ George Monbiot. *Captive State: The Corporate Takeover of Britain*; page 306

Burma (Myanmar), or to boycott products manufactured using the labour of political prisoners in China or child-labour. A country signing the treaty, the leaked draft insisted, “shall not prohibit outside its territory, directly or indirectly” a company from acting as it wishes in another country, as long as it doesn’t break that country’s laws. In other words, the international boycott, which helped to bring down South Africa’s apartheid regime, would, under the Multilateral Agreement on Investment, have been illegal.⁴⁰

The draft agreement listed three potential tribunals, which could hear the cases corporations brought. None of them was subject to direct democratic scrutiny. What’s more, one of them was the arbitration panel of the International Chamber of Commerce, an international lobby group composed of the chief executives of the world’s biggest companies. The tribunals’ rulings could be overturned only with the consensus of every national signatory to the MAI. The public would have no right to be heard or even to see the details of the rulings.⁴¹

In April 1998, internal disputes and public pressure forced the negotiating governments to delay their signing of the agreement for six months. But by October 1998, when the MAI was to have been approved at a meeting in Paris, the French government had received the results of a study it had commissioned into the implications of the treaty. The report showed that the agreement threatened the nation’s health, safety and environmental laws, and would eventually turn illegal the government’s attempt to protect the French film industry. Prime Minister Lionel Jospin promptly refused to host the discussions and the treaty collapsed. The governments involved in the talks assured their people that they would never attempt such venture again.⁴²

Nevertheless, they broke their promise. The European Commission immediately began to shift the proposals into another forum: the WTO. Again the talks about a single and totally deregulated global market – the first stage of which would have been the so-called Transatlantic Economic Partnership between the markets of the US and the EU – were thwarted, once more by a combination of internal disputes and external opposition.⁴³ Both became as clear as day in Seattle in December 1999.

Seattle became the scene of violent clashes between some of the anti-globalisation protesters and the local police forces. And by that the Battle for Seattle, unfortunately, did “set a fashion”, as we have seen ever since in other venue cities of various world talks held under siege by belligerent anti-globalisation demonstrators for several days.

The violence is, however, not an indispensable element of protesting against overpowering multinational corporations. This was explicitly manifested in February 2002 at the 2nd World Social Forum in Porto Alegre. The World Social Forum took place simultaneously to the World Economic Forum in New York on purpose. Among others the anti-globalisation forces were determined to demonstrate to the world that they were

⁴⁰ George Monbiot. *Captive State: The Corporate Takeover of Britain*; page 307

⁴¹ George Monbiot. *Captive State: The Corporate Takeover of Britain*; page 308

⁴² George Monbiot. *Captive State: The Corporate Takeover of Britain*; page 303

⁴³ George Monbiot. *Captive State: The Corporate Takeover of Britain*; page 303

able to discuss the fundamental questions of the future of the planet in a peaceful way. In other words, if there had been any disorder or riot in New York, the rioters could have been only some anarchists who had nothing to do with the anti-globalisation campaigners.

Porto Alegre, therefore, became an excellent opportunity for them to expose their real intentions and to set to the work of outlining their alternative of the global future. The world media was able to cover the ideas and debates of the more than 60,000 participants⁴⁴ instead of reporting the more and more common images of brutal and bloody clashes between anti-globalisation rioters with police commandos.

The World Economic Forum has changed too. The organisers invited the most prominent representatives of the “enemy”, the anti-globalisation forces to New York to address the participants and present them their points of view. The list of the invited speakers included the Irish rock star and human rights campaigner Bono, UN Secretary General Kofi Annan, Professor David Held of the London School of Economics or the anti-globalisation NGO Global Legacy’s Craig Cohon. And last but not least Noreena Hertz from the Centre of International Business and Management at the Judge Institute of University of Cambridge, the author of *The Silent Takeover*, one of the “holy books” of the anti-globalisation movements. She accepted the invitation: “It had been a dilemma whether to accept my nomination as one of their ‘Global Leaders of Tomorrow’ and I had been planning to go to Porto Alegre to the alternative World Social Forum instead. But the opportunity to challenge the corporate face of globalisation from within was far too tempting. Trojan horse, rather than co-optee, was how I saw it. (...) I determined to use the forum to provoke debate, to ensure that the voices of the voiceless were heard and to get across the key issue at stake, namely that globalisation, in its current configuration, does not work for most of the world’s population.”⁴⁵

Despite these encouraging changes violence is still present at the anti-globalisation protests. Just one month after the New York and Porto Alegre forums, in mid-March 2002, the world media reported about street clashes between the protesters and the policemen again, this time from Barcelona, from the host city of the actual EU-summit discussing the possible economic reforms of the union. Some of the viewers, however, in front of the televisions all over the world could shrug off the umpteen riot, and regarded it as “business as usual”. Violence might sooner or later turn out to be a dead end for anti-globalisation movements.

⁴⁴ The Guardian, February 15 2002 – Masochistic capitalists – by Naomi Klein

⁴⁵ The Observer, February 10 2002 – Trojan horse at the feast of globalisation – by Noreena Hertz

ATTACKING THE EVIL WITH A CORPORATE NAME

Interfering with realms of God: Monsanto

Genetically modified (GM) crops and food are one of the most controversial issues of our days. Concerning the genetically engineered food there is an apparent split even within Buckingham Palace. The Prince of Wales is opposing explicitly the whole industry, he even ventured several times to talk about “interfering with realms of God”.⁴⁶ His younger brother, Prince Andrew, however, provoked anger among environmentalists last summer by agreeing to give a keynote speech at the opening of Bio2001, the largest annual gathering and trade fair of the world’s biotechnology industry, in San Diego on June 25 2001. According to hastily composed Buckingham palace statement, Prince Andrew was speaking “in general support of trade and will not be commenting in a policy-setting context about the biotech industry”. Still, he was one of the most high profile speakers for the event – sponsored by, among others, the world’s leading GM food manufacturers, including Monsanto, Aventis, Dow AgroSciences and Astra Zeneca. Add to this, it was organised by the Biotechnology Industry Organisation, which promotes GM foods.⁴⁷ The prince’s visit was, by the way, arranged by the Foreign Office after a request from the conference organisers.

Despite the eventual content of the “royal” speech, it seemed inevitable that Prince Andrew’s visit was interpreted as a public relations coup for the biotech industry in the US, which has been damaged by European opposition to the introduction of the technology in agriculture.

But what is so dangerous about GM food? Why is it provoking such a fierce protest throughout Europe and, step by step, all around the world? These questions can be answered, at least partly, by recounting the story of the once almighty US biotechnology giant, Monsanto.

“In February 1990, Monsanto filed its application to have rBST [recombinant bovine somatotropin, a hormone increasing the amount of milk a cow produces, licensed in the US in 1993] licensed in Canada. Within two weeks the Bureau of Veterinary Drugs reported that there was ‘no hazard to man consuming milk or meat’ from animals treated with the drugs. The head of the bureau’s Human Safety Division wrote to Monsanto to inform it that the product was acceptable. Four months later, however, researchers at the bureau pointed out that there was no basis for making this assumption. They insisted that the data were incomplete and the design of Monsanto’s experiments was flawed. In August 1990, Monsanto admitted a ‘shortage of Canadian data’. The drug’s approval was delayed for several years.”⁴⁸

⁴⁶ Financial Times, March 8 2002 – How Monsanto bruised in a food fight? – by Michael Skapinker (Corporate Social Responsibility series of articles, Part III.)

⁴⁷ The Guardian, June 15 2001 – Royal row over support for GM foods – by John Vidal and Sasha Blackmore

⁴⁸ George Monbiot. Captive State: The Corporate Takeover of Britain; pages 229-230

This is how George Monbiot describes the very beginning of Monsanto's woes. And he continues by claiming that by 1995, evidence of devastating effects on the health of dairy cattle treated with rBST had begun to accumulate. "There were increased instances of lameness and birth defects and severe reactions in the parts of the body where the drug was injected."⁴⁹ An analysis of the company's own data by researchers at Sussex University showed that use of the drug increased the incidence of mastitis (inflammation of the udders) by 39 per cent – what requires a treatment with use of antibiotics. The widespread use antibiotics, however, increases the risk that certain bacteria could become immune to them, posing a threat even to human health. Worthy of note that Monsanto actually tried to prevent publication of the results achieved by the researchers of Sussex University on the bizarre grounds that use of the company's data constituted 'plagiarism'.⁵⁰

The evidence of possible direct effects on human health continued to accumulate. The most disturbing findings involved a by-product of rBST injection called Insulin-like Growth Factor One – IGF-1. The hormone essentially works by forcing the cow to produce increased quantities of IGF-1, which in turn stimulates milk production. All milk contains traces of IGF-1, but its concentration, as it has already been proved, is higher in milk from cattle injected with rBST. In 1996, Professor Samuel Epstein of the University of Illinois published his findings in the *International Journal of Health Services* revealing that increased concentrations of IGF-1 in milk could cause breast and colon cancers in humans.⁵¹ And there were a series of other studies to come in 1998 suggesting that men with higher levels of IGF-1 in their blood were four times more likely to contract prostate cancer; pre-menopausal women with high levels of IGF-1 in their blood were seven times more threatened by breast cancer.

Still, in January 1999 Donna Shalala, the US Secretary of State for Health claimed that the critics of the hormone had raised „no new scientific concerns” and she decided not to withdraw the product from the American market.⁵² Just a couple of weeks earlier, in December 1998, the Canadian government eventually announced that the rBST would not get approval in the foreseeable future.⁵³

Even more embarrassing is that the US Food and Drug Administration has had previously warned shops not to label the milk they sell as being free from rBST or not. George Monbiot received a cynical explanation from the biotechnology co-ordinator of the FDA: the administration would not “require things to be on the label just because a consumer might want to know them”.⁵⁴ Monsanto didn't even shrink from taking legal action against retailers who were bold enough to label the milk they sold as rBST-free. The company sent even letters to thousands of dairies and grocery shops. Monsanto, with

⁴⁹ George Monbiot. *Captive State: The Corporate Takeover of Britain*; page 230

⁵⁰ George Monbiot. *Captive State: The Corporate Takeover of Britain*; page 230

⁵¹ George Monbiot. *Captive State: The Corporate Takeover of Britain*; pages 235-236

⁵² George Monbiot. *Captive State: The Corporate Takeover of Britain*; page 236

⁵³ George Monbiot. *Captive State: The Corporate Takeover of Britain*; page 233

⁵⁴ George Monbiot. *Captive State: The Corporate Takeover of Britain*; page 236

reference to the FDA, warned the owners that “signs or labels placed on or near milk and other dairy products that are false or mislead consumers about bovine somatotropin, either by what they say or fail to say, are unlawful”.⁵⁵

The FDA has been as generous in its approval of genetically modified plants as it has been in the case of rBST. In 1992, it announced that food derived from engineered plant would be regulated like those from conventional plants. That is to say no labels would be needed.

At the end of the nineties the US government started to lobby its European counterparts and the decision-makers of the European Union to speed up the EU’s slow and non-transparent approval process for genetically modified organisms. Despite its energetic efforts to influence the European decision-making process, the United States achieved only some of its goals. One by one the European countries approved the import of genetically modified maize engineered by Monsanto. Washington even convinced the European Commission to hand over the regulation of GM products to the World Trade Organisation (WTO), the international trade body, which the US influences much more effectively. Pascal Lamy, the commissioner responsible for trade issues acceded to the American request without even consulting the resisting governments of the 15 member-states.⁵⁶

The US was at first confident that it could make Europe to start using Monsanto’s rBST, too. As it was disclosed by the British press in 1999, the Thatcher-government secretly granted Monsanto a licence in 1985 to test rBST on British dairy herds. The hormone was used on thirty-eight British farms for three years. The farmers were even secretly allowed to sell the milk of the hormone-injected cows on the open market, despite the fact that it had been neither tested for its effects on human health nor licensed for sale in the UK.⁵⁷

The Council of Ministers of the European Union, however, decided to impose a moratorium on sales of the drug until the end of December 1999. The only country voting against the resolution was the United Kingdom.⁵⁸ The moratorium has been extended and is still in force. Later on, the EU introduced a ban on any new varieties of genetically modified crops. Last year, the European Commission actually issued a warning that the moratorium was damaging the EU’s attempt to become the world’s most dynamic economy. It added that Europe risked losing more scientists to the US. European ministers were unmoved, however, insisting that the moratorium could not be lifted until new rules on labelling and tracing GM ingredients were in place. This could still take another three years.⁵⁹

This is, however, not the end of the Monsanto saga. In the mid-nineties, biotechnology companies started to patent the genes they had engineered. That gave them the right to

⁵⁵ George Monbiot. *Captive State: The Corporate Takeover of Britain*; page 237

⁵⁶ George Monbiot. *Captive State: The Corporate Takeover of Britain*; page 246

⁵⁷ George Monbiot. *Captive State: The Corporate Takeover of Britain*; page 246

⁵⁸ George Monbiot. *Captive State: The Corporate Takeover of Britain*; page 247

⁵⁹ *Financial Times*, March 8 2002 – How Monsanto bruised in a food fight? – by Michael Skapinker (Corporate Social Responsibility series of articles, Part III.)

control the use of crop plants from the sowing of seed to the sale of the food.⁶⁰ Some of these patents are extraordinarily wide. In 1994, for example, the biotech company Agracetus became the official European owner of all possible present and future modifications of soya beans. Its rival Monsanto – which, by the way, owns a patent on all genetically engineered cotton: any cotton treated with any gene, by any company, now and in the future, belongs to Monsanto – fell into a rage and demanded the patent to be revoked. After a little while it bought Agracetus and its patents, and quietly dropped its complaint.⁶¹

Monsanto lobbied heavily the GATT – forerunner of the WTO – to incorporate a world-wide patents regime, in order to protect what it claimed were its inventions. This would enable the US to levy sanctions against countries, which allow their farmers to use seed Monsanto has patented without paying royalties to the company.

The next Monsanto-related scandal was the controversial soya bean story. The modified genes and their proteins are broken down, as a rule, during cooking and other forms of processing. Therefore a genetically modified tomato, corn or soya bean in the meal would be chemically indistinguishable from similarly treated non-GM vegetables. Consumers are, however, keen on being informed not only about the final composition of their food, but also want to know whether or not their food contained GM ingredients. Consumers clearly demand that this information should be marked on the label whether or not chemical changes were demonstrable.

Nevertheless, the European Union accepted a new law in May 1998, ruling that only foods in which engineered genes or proteins had survived intact should be labelled as containing GM ingredients. The EU argued that once the altered DNA had been broken down, the food posed no new threats to consumer health.

At first sight it is an acceptable argument. But it is not that simple. Monsanto's biggest genetically modified crop is „Roundup Ready” soya bean. It has been engineered to resist the applications of glyphosate, the active ingredient of Roundup, the world's best-selling herbicide, manufactured by Monsanto. Roundup Ready allows farmers to spray their fields with this herbicide even while the crop is growing. The GM soya plants are unaffected, but all the weeds are wiped out. All this happens at a cost: the soya plants may absorb some of the glyphosate sprayed on them.⁶²

Why is it important? Glyphosate is the chemical, which is proved by medical authorities to pose significant dangers to human health: first of all it increases the risk of contracting a type of cancer called non-Hodgkin's lymphoma (NHL). NHL has increased in the US by 80 per cent since the early 1970s. Medical scientists link this worrying tendency to long-term exposure to pesticide residues. Despite these findings the US and the UK governments, and Codex Alimentarius, the international food standard agency of the UN,

⁶⁰ George Monbiot. *Captive State: The Corporate Takeover of Britain*; page 252

⁶¹ George Monbiot. *Captive State: The Corporate Takeover of Britain*; page 253

⁶² George Monbiot. *Captive State: The Corporate Takeover of Britain*; page 265

to raise the permitted levels of glyphosate in soya beans destined for human consumption. (In the case of the UK by 200 times!⁶³)

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There is one lesson not only Monsanto, but also European governments have to draw from the failure of the GM food in their countries. Americans, as a rule, trust their regulators, but Europeans do not – for good reason. Monsanto was actually attempting to introduce its genetically engineered products following the BSE crisis in the UK and throughout Europe, where government assurances that beef was safe for human consumption had turned out to be false. To make matters worse the US biotechnology giant appeared to be imposing genetically modified foods on Europeans without consultation. There was a sense of outrage because it didn't appear that people had a choice. As a matter of fact the whole industry didn't spend the time dealing with the consumer issues, talking about the technology. When consumers first heard about it, it was from Greenpeace, it wasn't from the industry.⁶⁴

Large-scale public pressure – demonstrations, boycotts, etc. – helped by the new research findings of committed scientists succeeded in stopping the onslaught of the dubious GM products, at least in Europe and some other parts of the world. The UK has the most developed and powerful biotechnology industry in the European Union. Still the British Prime Minister Tony Blair had to acknowledge at last in early 2000, that “the jury is still out on the application of this new technology to food and crops ... there is cause for legitimate public concern”.⁶⁵

Last but not least, the pressure put on the British – and other European – governments by the powerful superstore-chains has to be given its due merit, too. That is true even if the superstores had launched their lobbying against their will. They were forced mainly by consumer movement activists, who could not boycott a company – this time Monsanto –, products of which cannot be found on the shelves of the shops by its own brand-name. The only opportunity to fight such an “invisible” corporation and its refusal to label which foods had been genetically modified and which had not is to broaden the focus of the campaign to include the supermarkets that sold the food of the biotech companies. This form of campaigning worked out extremely well. With shoppers shouting about “Frankenfood” on their doorsteps and Greenpeace activists leading consumers on „gene food tours” through their aisles, the superstore chains could not afford to share Monsanto's cloistered attitude. Eventually, several large British supermarket chains including Sainsbury's, Tesco and Safeway all removed bio-engineered foods from their private-label brands.⁶⁶ In early 2002, the following sentence could be read on the two sides of Sainsbury's free plastic bags the following sentence: “When it comes to GM food we give you a peace of mindwe have removed all GM ingredients from our

⁶³ George Monbiot. *Captive State: The Corporate Takeover of Britain*; page 264

⁶⁴ *Financial Times*, March 8 2002 – How Monsanto bruised in a food fight? – by Michael Skapinker (Corporate Social Responsibility series of articles, Part III.)

⁶⁵ George Monbiot. *Captive State: The Corporate Takeover of Britain*; page 279

⁶⁶ Naomi Klein. *No Logo*; page 427

own brand food range”. Marks & Spencer went even further, banning from its stores, in March 1999, all foods containing GM ingredients. Chains and even fast food restaurants like McDonald’s and Burger King across Western Europe followed suit.⁶⁷

Two years later, supermarket chains Tesco and Asda – who between them control 42 per cent of the British grocery market and until their change of strategy had imported more than 1m tons a year of GM animal feed – scored a new PR-victory. The two chains announced that they would no longer sell the meat or milk of any animal fed with genetically modified soya or maize. That meant, Tesco and Asda switched their imports from the US to Brazil, where commercial GM plantings are illegal.⁶⁸

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There are ups and downs in life – the year 2000 stood decidedly for the beginning of the downturn for Monsanto. Until the middle of 1999, the US biotech giant appeared to be conquering the world. It had, in the previous two years, initiated \$8bn worth of mergers, cornered much of the global market in seed and farm chemicals, and boosted its share price several times over. It was the most profitable life sciences corporation on the planet, with enough money even to hire senior members of the former Clinton administration to smooth its way through Washington.⁶⁹ By December 1999, however, it had been all but buried. Consumers on both sides of the Atlantic had become suspicious of its products. Farmers were reluctant to plant for fear it would damage their milk sales⁷⁰, and financiers were wary of investing.⁷¹

Its share price plummeting, Monsanto was forced to merge with the US drugs company Pharmacia and Upjohn in March 2000. A month later its name disappeared from all but one of the new company’s divisions.

Monsanto thought its mastery of genetics would lead to new generations of crops, drugs, chemicals and industrial materials to suit the needs of the world’s burgeoning population. But growing consumer resistance to GM foods, particularly in Europe, has shattered its grand illusions. The company publicly apologised for its arrogance in the year 2000. Hendrik Verfaillie, Monsanto’s CEO, said then: „Even our friends told us we could be arrogant and insensitive. We were blinded by our enthusiasm. We missed the fact that this technology raises major issues for people – of ethics, of choice, of trust, even of democracy and globalisation”.

But it was still not the end of Monsanto’s humiliation. The “marriage”, according to all indications, turned out to be far from a successful and merry one for Pharmacia (which, strictly speaking, wanted to gain access just to Monsanto’s drug unit G D Searle, which

⁶⁷ Naomi Klein. No Logo; page 427

⁶⁸ The Guardian, January 27 2001 – Supermarket giants pave the way for ‘GM-free’ Britain – by John Vidal

⁶⁹ The Guardian, November 28 2001 – Drugs giant drops GM subsidiary – by Mark Tran

⁷⁰ The Guardian, May 4 2000 – Dairy forces farmers to abandon GM crop trial – by James Meikle

⁷¹ George Monbiot. Captive State: The Corporate Takeover of Britain; page 280

developed Celebrex, the best-selling arthritis drug). Less than one year and a half after the acquisition, in November 2001, the pharmaceuticals group announced its plans to hand its stake in Monsanto back to shareholders in October 2002, as a dividend, and signalled its desire to quit completely the highly contentious genetically modified foods industry.⁷² Analysts agree that Monsanto's agricultural operations had been something of a headache for Pharmacia. The business could be highly cyclical, dropping into loss in some quarters, as well as attracting unwanted media attention thanks to Monsanto's GM food activities.

Monsanto will face an uncertain future, having thrown in its lot with Pharmacia after coming under heavy pressure to split its drugs and agribusiness units or join forces with another company. Allying itself with Pharmacia appeared to be the solution, but having obtained G D Searle, Pharmacia does not want to be saddled with a bioengineering company that is turning off investors.

Make matters worse, in February 2002, the company was found guilty of decades of pollution in the small town of Anniston, Alabama. The court verdict was an immense victory for 3,500 residents of Anniston – similarly to the one achieved in the Oscar-winning movie *Erin Brockovich* – based on a true story. And to top it all, it opened the door for millions of dollars of claims against the company and Solutia, its former chemicals business that was spun off in 1997.

Monsanto had been, as the verdict stated, pumping the local river with chemicals called PCBs, which were banned by the US government in 1978 as a possible carcinogen. The company had also buried waste in a landfill. Lawyers claimed Monsanto had deliberately covered up evidence that the PCBs were harmful, including evidence of fish dying in nearby creeks. Internal memos were produced that insisted they should protect the image of the corporation. One said: "We can't afford to lose one dollar of business". Monsanto's defence was that it closed the plant in 1971, eight years before the government ban. The company said it was not aware the chemicals were being released or that they could be dangerous. It has spent \$40m on a clean-up operation. Other residents' claims are proceeding in separate state trials and 15,000 are planning to pursue a class action. The company has paid \$80m in out-of-court settlements.⁷³

The court found even Pharmacia liable. This tiny detail can be added to the possible reasons, why, three months earlier, the pharmaceuticals group had decided all of a sudden to drop Monsanto.

Rust and blood: Royal Dutch/Shell

The year 1995 stood up for the beginning of a serious downturn for the British-Dutch oil-company Royal Dutch/Shell. First it was defeated by campaigners in the Brent Spar „battle". It began in February 1995 when Shell finalized its plan to dispose of a rusted and

⁷² The Guardian, November 29 2001 – US drugs group drops Monsanto – by Richard Wray

⁷³ The Guardian, February 25 2002 – Monsanto found guilty of polluting – by David Teather

obsolete oil-storage platform, known by the name Brent Spar, by sinking it in the Atlantic Ocean, 150 miles off the coast of Scotland. Greenpeace opposed the plan, claiming the 14,500-ton rig should be towed to land, where the oil sludge could be contained and the rig's parts recycled. Shell countered that land disposal was unsafe, not to mention impossible.⁷⁴ According to its own – definitely credible – statements the company had researched the issue thoroughly and had decided that disposal at sea was the most environmentally responsible option.⁷⁵ It was actually highly debatable whether Greenpeace's land-disposal alternative was more ecologically sound than Shell's proposed deep-sea dunk. Sinking had, by the way, already become at that time a standard way of disposing of old platforms.⁷⁶

Greenpeace and many members of the public, particularly in Germany, saw it differently. Shell had the science on its side but Greenpeace talked about values. What the company ran up against was: you don't litter. You don't throw your old car into a lake.⁷⁷

On April 30, just as Shell began towing the platform to its watery grave, a group of Greenpeace activists showed up in a helicopter and tried to land on the Brent Spar. Shell fended off the helicopter with water cannons, but the entire episode was captured on videotape and the images were immediately sent via satellite to TV stations around the world. (Later on Greenpeace did actually apologise for having used the wrong data in its videotapes concerning the amount of oil sludge in the platform. It admitted that the oil had been practically pumped out from the Brent Spar by Shell before the company started to tow it to its planned sea-grave.) The impact the recordings had on the European public took even Greenpeace by surprise. The image of an ugly, giant, rusted pollution generator fending off the green activists that were buzzing it like dogged mosquitoes caught people's attention immediately.⁷⁸ Much of the public decided that Shell wanted to sink its garbage because the company – one of the most profitable corporations in the world – was too stingy to come up with a better plan. This view was reinforced by a study published at the time claiming that land disposal of the platform would cost Shell – a \$128 billion company – \$70 million, while sinking it would cost a mere \$16 million.⁷⁹

In the eyes of the European public, Shell was morally wrong. Thousands protested outside its petrol stations, and in Germany its sales dropped by 20-50 per cent after the scandal began. A firebomb exploded at a Shell station in Hamburg, and there was a drive-by shooting at a Frankfurt outlet. The unofficial boycott also spread through Britain to Denmark, Austria and the Netherlands.

⁷⁴ Naomi Klein. No Logo; page 379

⁷⁵ Financial Times, March 6 2002 – Does caring boost the bottom line? – by Michael Skapinker and Alison Maitland (Corporate Social Responsibility series of articles, Part I.)

⁷⁶ Naomi Klein. No Logo; page 380

⁷⁷ Financial Times, March 6 2002 – Does caring boost the bottom line? – by Michael Skapinker and Alison Maitland (Corporate Social Responsibility series of articles, Part I.)

⁷⁸ Naomi Klein. No Logo; page 379

⁷⁹ Naomi Klein. No Logo; page 380

Four months after the protests began, on June 20, 1995, something unprecedented happened: Shell backed down. It spent tens of extra million to tow the Brent Spar to Norway, where it was dismantled on land.⁸⁰

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A mere five months later, in November 1995, however, Shell found itself again on the prisoner's box. This time the reason was Nigeria.

Roland-Pierre Paringaux wrote in *Le Monde Diplomatique*: "The whims of geology are such that oil deposits have always been scarcer in democracies than in countries that trample rights and freedoms under foot. It is therefore the oil companies, one of the main driving forces in world economic growth, that Amnesty International and Human Rights Watch have, in the past few years, set out to persuade to change their business culture and behaviour. (...) At the beginning it was difficult. What finally got the oil barons to talk was a series of disasters that tarnished their image."⁸¹

Nigeria is Africa's biggest oil producing country: the oil revenue makes up 80 per cent of the country's economy – \$10 billion annually – and of that more than half comes from Shell.⁸² Still, most of the country's people are among the poorest in the continent. Not its leaders. The manna extracted by the western oil giants has for decades helped tyrannical elites and their corrupt clients to get rich and hold on to power. According to *Le Monde*, General Sani Abacha, who died in 1998, and his close associates are believed to have accumulated some \$3 billion between 1993 and 1998 in accounts at 19 Swiss and French banks in Switzerland.⁸³

Since the 1950s Shell Nigeria has extracted some \$30 billion worth of oil from the land of the Ogoni people, in the Niger Delta. But not only have the Ogoni people been deprived of the profits from their rich natural resource, many still live without running water or electricity, and their land and water have been poisoned by open pipelines, oil spills and gas fires.⁸⁴

In 1993 the Movement for the Survival of the Ogoni People (MOSOP), led by Nobel Peace Prize nominee writer Ken Saro-Wiwa, mobilised tens of thousands of people against Shell. The Ogoni people not only blamed Sani Abacha for the attacks, they also accused Shell of giving financial support and legitimacy to the Abacha regime and even treating the country's military as a private police force. Indeed, the Nigerian security forces who had orders to protect the oil installations. (Since then the company has admitted that it had been „forced” to pay the Nigerian security forces directly on at least

⁸⁰ Naomi Klein. *No Logo*; page 381

⁸¹ *Le Monde Diplomatique*, December 2000 – Business, oil and human rights: Should corporations care? – by Roland-Pierre Paringaux

⁸² Naomi Klein. *No Logo*; page 383

⁸³ *Le Monde Diplomatique*, December 2000 – Business, oil and human rights: Should corporations care? – by Roland-Pierre Paringaux

⁸⁴ Naomi Klein. *No Logo*; page 383

one occasion in 1993.)⁸⁵ The movement campaigned for reform, and demanded compensation from the company. It became an international issue. The pressure was enough to force the world's leading oil-company to stop production and withdraw from Nigeria. To get it started again and in order to keep the oil profits flowing into the government's pockets, General Abacha unleashed a murderous repression. He directed the military to take aim at the Ogoni. Hundreds were arrested, imprisoned, tortured and sometimes summarily executed.⁸⁶

Saro-Wiwa was arrested May 22, 1994. He was accused of murder. Before receiving his sentence, he told to the tribunal: "I and my colleagues are not the only ones on trial. Shell is here on trial. (...) The company has, indeed, ducked this trial, but its day will surely come".⁸⁷ On November 10, 1995 – despite pressure from the international community, including the Canadian, Australian, German and French governments – the Nigerian military government executed Ken Saro-Wiwa and eight other Ogoni activists who had protested against Shell.

There was tremendous outrage. It became an international incident and, once again, people took their protests to the Shell stations. Soon, the company found itself widely boycotted. In San Francisco Greenpeace activists staged even a re-enactment of Saro-Wiwa's execution, with the noose fastened around the towering Shell emblem.⁸⁸ Because Saro-Wiwa was a poet and playwright, his case was also claimed by the international freedom-of-expression group PEN. World-famous writers all around the globe took up the cause of his right to express his views against the ill-famed oil-company, and turned his persecution into the high-profile international free-expression case.⁸⁹ Activist shareholders placed the Ogoni plight on the agenda of three consecutive Shell annual meetings and thousands upon thousands of others.⁹⁰

Shell now is spending tens of millions of US dollars annually establishing hospitals, schools, education programs and scholarships in Nigeria. According to its own image-rebuilding formula, it started "healing the wounds". It has revised its business principles, which now include the company's environmental performance as well as its responsibilities to the communities where Shell operates. It has even started reaching out to black communities in Europe and North America. (This strategy has actually created a bitter division in poor neighbourhoods that are desperate for funding but suspicious of Shell's motives.)⁹¹

In March 1999, Shell launched a \$32 million international marketing and PR campaign – that is to say spending on it much more money than the company is „sacrificing” in

⁸⁵ Le Monde Diplomatique, December 2000 – Business, oil and human rights: Should corporations care? – by Roland-Pierre Paringaux

⁸⁶ Le Monde Diplomatique, December 2000 – Business, oil and human rights: Should corporations care? – by Roland-Pierre Paringaux

⁸⁷ Naomi Klein. No Logo; pages 383-384

⁸⁸ Naomi Klein. No Logo; page 384

⁸⁹ Naomi Klein. No Logo; page 384

⁹⁰ Naomi Klein. No Logo; page 385

⁹¹ Naomi Klein. No Logo; page 386

Ogoniland. But rather than stemming out the flow of criticism, the company's extravagant spending on public relations – with the Ogoni's grievances unresolved and demands for outside monitoring repeatedly rejected despite Shell's sound promises – sparked its own kind of backlash: a backlash against "greenwash". In April 1999, activists in London even threw green paint on the doors of the company's headquarters. The green paint was an attempt to give Shell "a taste of its own greenwash".⁹²

Indeed, although Shell hasn't returned to Ogoniland yet, but it continues to operate in other parts of the Niger Delta, and in the fall of 1998, the tensions in the area once again erupted. The issues were all too familiar: communities complained of polluted lands, devastated fisheries, gas fires and flaring, and of seeing enormous profits pumped out of their oil-rich land while they continued to live in poverty. In October Nigerian protestors seized two Shell helicopters, nine Shell relay stations and a drilling rig, halting the transfer of some 250,000 barrels of crude oil a day. More Shell stations were stormed and occupied in March 1999. Shell denied any wrongdoing and blamed the violence on ethnic conflicts.⁹³

The most indulgent of Shell's competitors regard its "humanistic" option, and that of other companies, which have amended their policies and put stress on human rights, as utopian. Others actually denounce "the hypocrisy of lavish promises that are impossible to keep".⁹⁴

The Swooshika: Nike

In June 1996, *Life* magazine published a photo-reportage of Pakistani kids – looking shockingly young and paid as little as six cents an hour – hunched over soccer balls that bore the unmistakable Nike swoosh. The *Life* images were so chilling that they galvanised parents, students and educators alike, many of whom made the photos into placards and held them up in protest outside sporting-goods stores across the US and Canada.⁹⁵

It was, however, not the first scandal damaging Nike's reputation. In March 1996, *The New York Times* reported that after a wildcat strike at one Javanese factory, twenty-two workers were fired and one man who had been singled out as an organiser was locked in a room inside the factory and interrogated by soldiers for seven days.⁹⁶ When the company began moving production to Vietnam, the accusations moved too, with videotaped testimony of wage cheating and workers being beaten over the head with shoe stoppers. When production moved decisively to China, the controversies over wages and the factories' „boot camp" style of management were right behind.⁹⁷ Even Nike's logo

⁹² Naomi Klein. *No Logo*; pages 431-432

⁹³ Naomi Klein. *No Logo*; page 387

⁹⁴ *Le Monde Diplomatique*, December 2000 – Business, oil and human rights: Should corporations care? – by Roland-Pierre Parinaux

⁹⁵ Naomi Klein. *No Logo*; page 328

⁹⁶ Naomi Klein. *No Logo*; page 328

⁹⁷ Naomi Klein. *No Logo*; pages 328-329

and slogan were jammed thousands of times on T-shirts, stickers, placards, banners and pins with a stunning creativity. Here are some examples: Just Don't Do It; Just Don't; Nike, Do It Just; Just Boycott It; The Swooshtika.⁹⁸

The international anti-Nike movement was probably the most publicised and tenacious of the brand-based campaigns. Nike's sweatshop scandals have been the subject of thousands of news articles and opinion columns. Its Asian factories have been probed by cameras from nearly every major media organisation, from CBS to Disney's sports channel, ESPN. It has even become the subject of Michael Moore's documentary *The Big One*. The company has received hundreds of thousands of letters of protest, faced hundreds of demonstrations, and is the target of a dozen critical Internet sites. As a result, several people in Nike's PR department work full time dealing with the sweatshop controversy, and the company has even created a new executive position: vice president for corporate responsibility⁹⁹ and charged Maria Eitel, a one-time White House aide, with the job¹⁰⁰. The company has even published its first „corporate responsibility report”, in October 2001. Nevertheless Ms Eitel is aware of the fact that she and Nike have still a long way to go: “I'm the last person you're going to believe about what Nike has done”.¹⁰¹

Nike does not own any factories. Its goods are manufactured by subcontractors all around the globe. Monitoring what is happening in the factories is not easy even for Nike itself – or for other manufacturers of clothing and shoes – since the company's products are made in more than 700 factories in 50 countries. Nike's own staff are only designers and marketers. Still the company had to learn a tough lesson even in the US. Being accused of malpractice has a damaging effect on employee morale at home as well. “They were going to barbecues and people would say: ‘How can you work for Nike?’ I don't know if we were losing employees but it sure as hell didn't help in attracting them” – says Ms Eitel.¹⁰²

Tellingly, the anti-Nike movement is at its strongest inside the company's home state of Oregon, even though the area has reaped substantial economic benefits from the company's success – Nike is the largest employer in Portland and a significant local philanthropist. The demonstrations outside Portland Nike Town are among the largest and most militant in the country, sometimes sporting a giant puppet of Nike CEO Phil Knight with dollar signs for eyes or a twelve-foot Nike swoosh dragged by small children – to dramatise child labour. And in contravention of the principles of non-violence that govern anti-Nike movement, one protest in Eugene, Oregon, led to acts of vandalism. Local papers have aggressively followed Knight's sweatshop scandals, and the daily paper *The Oregonian* sent even a reporter to Southeast Asia to do its own lengthy

⁹⁸ Naomi Klein. No Logo; pages 366-367

⁹⁹ Naomi Klein. No Logo; page 366

¹⁰⁰ Financial Times, March 7 2002 – Why Nike has broken into a sweat? – by Michael Skapinker (Corporate Social Responsibility series of articles, Part II.)

¹⁰¹ Financial Times, March 7 2002 – Why Nike has broken into a sweat? – by Michael Skapinker (Corporate Social Responsibility series of articles, Part II.)

¹⁰² Financial Times, March 7 2002 – Why Nike has broken into a sweat? – by Michael Skapinker (Corporate Social Responsibility series of articles, Part II.)

investigation of the factories. Even Nike's charitable donations have become controversial: public schools have faced a serious dilemma whether to accept Nike's money and swooshed athletic gear or not.¹⁰³

At first, much of the outrage stemmed from the fact that when the sweatshop scandal hit the papers, Nike wasn't really acting all that sorry about it. While Gap for example at least displayed contrition when it got caught with its sweatshops showing, Phil Knight stonewalled: denying responsibility, attacking journalists, blaming rogue contractors and sending out flacks to speak for the company. While Gap agreed to allow a particularly controversial factory in El Salvador to be monitored by local human-rights groups, Nike was playing lip service to a code of conduct that its Asian workers had never heard of.¹⁰⁴

Nike actually didn't panic when its scandals hit the middle-American mall, because the mall, while it is indeed where most Nike products are sold, is not where Nike's image was made. Nike has drawn on the inner cities, merging with the styles of poor black and Latino youth to load up on imagery and attitude.¹⁰⁵

But before analysing this phenomenon a short historical background has to be given. In the early nineties there was a new wave of black and Latino community organising against cigarette and alcohol advertising. In 1990, thirty years after the National Association for the Advancement of Colored People first lobbied cigarette companies to use more black models in their ads, a church-based movement began in several US cities. It accused the same companies of exploiting black poverty by target-marketing inner cities for their lethal product. In a clear sign of the times, attention had shifted from who was in the ads to the products they sold. Even the standard Surgeon General's Warning was distorted on the huge billboards for advertisements: „Struggle General's Warning: Blacks and Latinos are the prime scapegoats for illegal drugs and the prime targets for legal ones”.¹⁰⁶

A couple of years later, as inner-city kids began stabbing each other for – among others – their Nike gear, it became clear that tobacco and alcohol companies are not the only marketers that prey on poor children's longing for escape.¹⁰⁷ Nike's branding power is thoroughly intertwined with the African-American heroes who have endorsed the its products since the mid-eighties: Michael Jordan, Charles Barkley, Scottie Pippen, Michael Johnson, Spike Lee, Tiger Woods – not to mention the rappers who wear Nike gear on stage. Nike was the King Brand among the Jordan fans in Compton and Bronx. Sure, their parents, teachers and church leaders might be condemning and stigmatising the sweatshops, but as far as Nike's core demographic of thirteen- to seventeen-years-old kids was concerned, the swoosh was still made of Teflon.¹⁰⁸

¹⁰³ Naomi Klein. No Logo; pages 367-368

¹⁰⁴ Naomi Klein. No Logo; pages 368-369

¹⁰⁵ Naomi Klein. No Logo; page 369

¹⁰⁶ Naomi Klein. No Logo; pages 290-291

¹⁰⁷ Naomi Klein. No Logo; page 291

¹⁰⁸ Naomi Klein. No Logo; page 369

By 1997, it had become clear to Nike's critics that if they were serious about taking on the swoosh in an image war, they would have to get at the source of the brand's cachet – and they weren't even close. The reason was that nobody had engaged African-Americans in the fight.¹⁰⁹ Once this simple fact became clear the solution seemed more than obvious. The cruel irony of Nike's brands-not-products formula is that the people who have done the most to infuse the swoosh with cutting-edge meaning are the very people most hurt by the company's pumped-up prices and non-existent manufacturing base. It is inner-city youth who have most directly felt the impact of Nike's decision to manufacture its products outside the US, both in high unemployment rates and in the erosion of the community tax base, which sets the stage for the deterioration of local public schools.¹¹⁰

Still, brands like Nike are playing a powerful surrogate role in the ghetto, subbing for everything from self-esteem to African-American cultural history to political power. Even broaching the subject of brand-fetishism to these kids is risky. With so much emotion invested in – non-affordable – celebrity consumer goods, many kids take criticism of Nike as a personal attack.¹¹¹

If anyone wanted to succeed in the fight against the sweatshop-scandalous Nike, the black and Latino kids had to be convinced first about the malpractice of their „sacred” brand. An eye-opening education campaign was launched. In her book, *No Logo*, Naomi Klein describes for example a social worker at the Bronx's Edenwald-Gun Hill Neighborhood Center, Mike Gitelson. Rather than lecturing kids wearing sneakers their parents couldn't forget on virtues of frugality, he and his colleagues began telling them about how Nike made the shoes they wanted so badly. He told them about the workers in Indonesia who earned \$2 a day. Gitelson told them that it cost Nike only \$5 to manufacture the shoes they bought for between \$100 and \$180, and he told them about how Nike didn't make any of its shoes in the US – which was part of the reason their parents had such tough time finding work.¹¹²

Kids soon decided to protest in the form of dumping their old Nike sneakers onto the doors of the company's brand-shops in central New York. At this point Nike's behaviour has been changed completely from one moment to the other. When the black and Latino kids whom the company was depending upon the most threatened to demonstrate against and to boycott Nike, its bosses, as Mike Gitelson put it, “started getting scared”. Sure they were frightened. They knew that Edenwald was only the tip of the iceberg. At that time even rapper and hip-hop groups were already planning their campaigns against white record and clothing labels and were going to return African-American youth to their own “community-brands” – like FUBU (For Us By Us). Feeling the danger Nike's chief of PR, Vada Manager, made the unprecedented move on September 10, 1997 – two

¹⁰⁹ Naomi Klein. *No Logo*; page 369

¹¹⁰ Naomi Klein. *No Logo*; page 370

¹¹¹ Naomi Klein. *No Logo*; pages 370-371

¹¹² Naomi Klein. *No Logo*; page 372

weeks before the shoe-protest was scheduled –, of flying in from Oregon to try to convince the centre that the company was the “revolting” kids’ friend.¹¹³

At the meeting the centre laid out three very concrete demands:

1. Those who work for Nike overseas should be paid a living wage, with independent monitoring to ensure that it is occurring
2. Nike sneakers should be sold less expensively in the US with no concessions to American workforce (i.e. no downsizing or loss of benefits)
3. Nike should seriously re-invest in the inner-city in the US, especially New York City since the kids living there have been the subject of much of the company’s advertising¹¹⁴

But that time these demands were still premature. Nike was scared – but not that scared. The Nike-men returned to Oregon empty-handed and the protest went off as planned with two hundred participants from eleven community centres around New York. The kids were mainly between eleven and thirteen years old. Local TV crews covered the event, as did an *ABC* news team and *The New York Times*. The latter even underlined how timely the protest was by publishing the story together with another one about a fourteen-year-old boy from Crown Heights who had just been murdered by a fifteen-year-old boy. “Police Say Teenager Died for His Sneaker and Beeper” – the headline read. The kids protesting outside Nike Town on Fifth Avenue were feeling pretty important, too. Taking on Nike “toe to toe”, as they said, turned out to be even more fun than wearing Nikes. According to Naomi Klein, “with the Fox News camera pointed in his face, one of the young activists – a thirteen-year-old boy from Bronx – stared into the lens and delivered a message to Phil Knight: ‘Nike, we made you. We can break you.’”¹¹⁵

Despite the damaging publicity of this and similar events, the anti-Nike campaigners could reap the harvest of their efforts very slowly. The company started to raise the wages of its Third World workforce only at the end of 1998. But even this gesture turned out to be very tricky, since for example the salary of its workers in Indonesia was worth less than one-third of its value a year earlier, thanks to the collapse of the rupiah in 1997. Nike even opened up a Vietnamese factory near Ho Chi Minh City to outside health and safety monitors. The investigation found conditions much improved, but there were still persistent problems with air quality, factory overheating and safety gear. And there was still no independent information about the other factories. Even so, these were significant gestures coming from a company that two years earlier was playing the role of the powerless global shopper, claiming that contractors alone had the authority to set wages and make the rules.¹¹⁶

And the show goes on. The people are not letting Nike off the hook. The company’s critics have shown that they don’t want this story to be brushed under the rug with a

¹¹³ Naomi Klein. *No Logo*; page 373

¹¹⁴ Naomi Klein. *No Logo*; page 373

¹¹⁵ Naomi Klein. *No Logo*; page 374

¹¹⁶ Naomi Klein. *No Logo*; pages 376-377

reassuring bit of corporate PR. Wall Street eventually had no choice but to turn on the company that had been one of its favourites for so many years. Nike's profits were down, orders were down, stock prices were way down, and after an average annual growth of 34 per cent since 1995, quarterly earnings were suddenly down by 70 per cent. Nike's revenues and future orders were down in 1999 for the second year in a row. Despite the fact that Asia's plummeting currencies meant that Nike's labour costs in Indonesia, for example, were a quarter of what they were before the crash, the company was still suffering.¹¹⁷

Nike seems to have learned a serious lesson, which shows the effectiveness and potentials of a well-organised campaign even against a multinational giant. The company has not only made some controversial pay-rises in the Third World, but even its human rights approach has been changed. Nike's instructions to its contractors are now that workers making clothing or equipment should be at least 16 and that no one under 18 should be involved in making shoes or footballs. Nike says its policy is that any contractor found employing workers younger than that must remove them from the workplace, send them to school while continuing to pay their wages and agree to rehire them after they have reached the Nike minimum age.¹¹⁸

Besides Nike decided to find a partner in the non-corporate world to help it monitor what was happening in its subcontractors' factories. In 1999, it gave a \$7,7 million grant to the International Youth Foundation (IYF) to establish an organisation called the Global Alliance for Workers and Communities. Although set up with Nike money, the Global Alliance has not been a soft touch. Last year it published a report on nine Indonesian factories that make Nike products. The Alliance said it had found instances of verbal abuse and sexual harassment in all nine factories. The company's response has been to increase its training. According to Nike's vice president for corporate responsibility, Ms Eitel: "We are trying to train workers in their rights, so that they understand their rights and when they're being inappropriately treated". The best way of persuading factory owners to treat their workers properly, she claims, is to demonstrate the financial benefits: improved productivity, reduced labour turnover and less sick leave.¹¹⁹

Not all the problems are solved, of course. Most of the critics are still unimpressed. Oxfam Community Aid Abroad, the Australian-based organisation, which is part of Oxfam International, monitors Nike closely and alleges that the company has "consistently moved production of its sneakers to wherever wages are lowest and workers' human rights are most brutally oppressed". It says most of Nike's Indonesian workers who are parents are forced by their financial circumstances to live apart from their children. Nike's factory monitoring programme "looks good on paper but ... in practice achieves very little" – says the organisation.¹²⁰

¹¹⁷ Naomi Klein. No Logo; page 378

¹¹⁸ Financial Times, March 7 2002 – Why Nike has broken into a sweat? – by Michael Skapinker (Corporate Social Responsibility series of articles, Part II.)

¹¹⁹ Financial Times, March 7 2002 – Why Nike has broken into a sweat? – by Michael Skapinker (Corporate Social Responsibility series of articles, Part II.)

¹²⁰ Financial Times, March 7 2002 – Why Nike has broken into a sweat? – by Michael Skapinker (Corporate Social Responsibility series of articles, Part II.)

CONCLUSION

How corporations react to the new challenge?

Targetting certain brands only is surely not a perfect solution. While, for example, Nike was “crucified” by its critics, Adidas staged a massive comeback. In the year when Nike nose-dived, its German rival’s sales were up 42 per cent, its net income was up 48 per cent and its stock price has tripled. All this happened despite the fact that Adidas had actually copied Nike’s production structure, marketing approach, and even redesigned its basketball shoes so they looked just like Nike’s.¹²¹ Nike was actually a deliberately chosen target: it had the largest profit margins and could afford to pay more, because it led the push into low-wage countries with poor human rights records and because it was the market leader.¹²² Take another example, Chevron. The giant American oil-company benefited enormously from the woes of Royal Dutch/Shell. It used the same methods in Nigeria Shell did, still only the latter had to face the consequences of its behaviour. The decision of the activists to focus their criticism on Shell, rather than on the Nigerian oil industry as a whole, points to the limitations of brand-based campaigns.¹²³

Still, there are lessons being learned by multinational corporations all over the world. The global public opinion is more and more alerted and even the biggest companies can not ignore their demands for more corporate responsibility.

One of the latest victories scored by campaigners is related to Burma (Myanmar). The activists started attacking the lingerie-manufacturing company, Triumph International, in early December 2002 for supporting the dictatorial military regime in Burma by running a factory in the country. The human rights campaign, which was named „Support Breasts – Not Dictators”, called for boycott of the company’s products and displayed “advertisements” demonstrating a model wearing a bra spinned of barbed wire. Even the Norwegian Olympic Team joined the campaign by cancelling its Triumph International sponsorship and refusing to wear the Triumph logo or products unless the company pulls out of Burma.¹²⁴ After a mere two months Triumph International backed down – just like lots of other global companies i.e. Coca Cola, Levi Strauss, Apple or Reebok had done earlier – under the pressure of the activists. The German-Swiss lingerie-company announced in late January 2002, that it would close its factory in Burma in four months and fire its almost one thousand local employees.

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The Multilateral Agreement on Investment could not have been blocked, the Burma Campaign could not be so successful, the potential dangers of genetically modified food

¹²¹ Naomi Klein. No Logo; page 378

¹²² Financial Times, March 7 2002 – Why Nike has broken into a sweat? – by Michael Skapinker (Corporate Social Responsibility series of articles, Part II.)

¹²³ Naomi Klein. No Logo; pages 418-419

¹²⁴ www.burmacampaign.org.uk – The Burma Campaign UK

could not be known today and the campaigners could not be so much organised at all if there wasn't a powerful new "weapon" in their hands: the Internet. When the MAI was taken off the agenda of the OECD in April 1998, Financial Times even noted: „The opponent's decisive weapon is the Internet. Operating from around the world via web sites, they have condemned the proposed agreement as a secret conspiracy to ensure global domination by multinational companies, and mobilised an international movement of grassroots resistance”.¹²⁵ As it is put by Manuel Castells in his book, *The Internet Galaxy*: “The anti-globalisation movement is not simply a network, it is an electronic network, it is an Internet-based movement. And because the Internet is its home it cannot be disorganised or captured. It swims like fish in the net”.¹²⁶

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The business setbacks caused by the various anti-corporate campaigns had served as a sobering warning to company chairmen and CEOs who eventually started thinking about reshaping and improving the public image of their own companies. Corporate Social Responsibility (CSR) has become a standard part of the vocabulary for many of them in major industrial economies in recent years. However, for the most part a distinct gap remains between rhetoric and reality, with CSR often amounting to little more than obeying minimum legal and regulatory requirements, mission statements, and employee participation in community activities. Not to mention the companies in the developing countries, where acceptance and application of CSR standards is generally even less widespread.¹²⁷

In the course of the Millennium Poll on Corporate Social Responsibility commissioned in 1999 by PricewaterhouseCoopers (PwC) 25,000 consumers in 23 countries were asked whether they are hot or not on the issue. Two thirds of those polled stated that they wanted “companies to go beyond their historical role of making profit and paying taxes, employing people and obeying laws”, they wanted „companies to contribute to broader societal goals as well”.¹²⁸

Expectations are clear, let's see how the business community responds to this “challenge”. The answer to this question has been given by PwC's recent Global CEO Survey carried out in conjunction with the World Economic Forum. More than 1,100 chief executives from 33 countries were asked how do they view the debate about corporate social responsibility? Is it largely a public relations exercise, and how relevant is it to the bottom line?

Just over half the CEOs disagreed that all that was entailed was well-managed „spin”. Of these, 26 per cent felt strongly that corporate social responsibility had to have substance. Yet 28 per cent of respondents saw some merit in the argument that this is predominantly

¹²⁵ Financial Times, 30 April 1998 – Network guerillas – by Guy de Jobquieres

¹²⁶ Manuel Castells. *The Internet Galaxy*; page 142

¹²⁷ Tim Cullen. *Corporate Social Responsibility for Multinational Corporations* – www.timecullen.com

¹²⁸ Tim Cullen. *Corporate Social Responsibility for Multinational Corporations* – www.timecullen.com

a PR issue, a minority view that was particularly apparent among European chief executives.

The survey revealed much greater consensus on the impact of CSR issues on financial performance of the companies. Indeed, 68 per cent of CEOs agreed the proper exercise of corporate social responsibility was vital to companies' profitability. These findings reinforce the view that CSR is still driven more by concern about the negative consequences of ignoring reputation than by the potential benefits of embracing "responsible" behaviour. This may be because it is easier to grasp the former – and there are plenty of high-profile examples of it.¹²⁹ Financial Times suggested the same approach recently. "The most obvious answer to the question of why companies should care about the wider community is that it is a way of protecting themselves against potential risk. Just as companies keep an eye on which competitors are working on a cheaper or more attractive product, so they should try to keep tabs on which organisations are planning campaigns that might damage their business."¹³⁰ A recent survey by Edelman, the public relations consultancy, found Europeans trusted campaigning organisations substantially more than companies. In the US, trust for campaigning organisations is approaching that for business.¹³¹

Commitment to CSR is certainly not a panacea, it has not worked for everyone. The Body Shop, for example, became famous for its ethical approach but has ultimately not prospered as a business. There are companies, however, that have managed to turn this commitment into financial success. Gwyneth Brock, corporate affairs manager for the UK's Co-operative Bank, said the bank's policy of ethical investment had helped to turn it from loss to profit and to bring a nearly fivefold increase in customer deposits in 10 years. An independent cost-benefit analysis conducted in 2001 estimated that the bank's environmental and ethical policies accounted for between 15 per cent and 18 per cent of its pre-tax profits.¹³²

According to Tim Cullen, former member of the board at Ford Motor Company and later holder of senior positions at the World Bank, including the position of the Chief Spokesperson of the institution, there is, however, a mounting body of evidence suggesting that high standards of Corporate Citizenship ultimately lead to improved profits, reduced liability and greater shareholder value. In other words, companies that address these issues effectively and ensure that their employees, shareholders, customers and business partners learn what they have done are finding the benefits outweigh the costs.¹³³

¹²⁹ Financial Times, March 7 2002 – What the CEOs think? – by Alison Maitland

¹³⁰ Financial Times, March 6 2002 – Does caring boost the bottom line? – by Alison Maitland and Michael Skapinker (Corporate Social Responsibility series of articles, Part I.)

¹³¹ Financial Times, March 6 2002 – Does caring boost the bottom line? – by Alison Maitland and Michael Skapinker (Corporate Social Responsibility series of articles, Part I.)

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¹³³ Tim Cullen. Corporate Social Responsibility for Multinational Corporations – www.timcullen.com

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