

# Bringing the G8 home:

## Corporate involvement in & around the G8

### Executive summary

The title of Corporate Watch's new report, 'Bringing the G8 home', illustrates our aim to ground in a local reality the effects of corporate-led globalisation policies as advanced by the G8 leaders. With the G8 Summit to be held in Scotland in July 2005, this is an ideal opportunity to explore the links between the G8, corporate power and the effects of neo-liberalism in Scotland.

Corporate power is a fact of our global system. For this reason, it is not just the behaviour of individual companies that need to be highlighted, but the fact that instruments of global governance such as the G8 still propagate the convenient ideology that increasing the wealth of corporations and their private shareholders will deliver greater prosperity for all. Blair, Brown - and Bono - say they want to use the Gleneagles Summit to tackle the issues of climate change and poverty in Africa. We argue in this report that the corporate agenda advanced by the G8 ultimately contradicts with the achievement of any genuine and lasting ecological and social justice. Precisely because of the corporate agenda, any pronouncements from the G8 are likely to be nothing but 'greenwash'.

That the G8 is coming to Scotland is particularly significant. This is not only because the free market ideology that underpins the G8 was born in the 18<sup>th</sup> century philosophical movement known as the 'Scottish Enlightenment', but also because Scotland is a very good example of corporate-led globalisation in microcosm. The Scottish Executive has made it explicit that it wants to use the G8 to 'showcase' Scottish enterprise. What the Scottish Executive is unlikely to be 'showcasing' is the erosion of democracy these companies are causing, and the social and environmental damage they are responsible for both in Scotland and worldwide. It certainly won't be highlighting the fact that 6th July, the start date of the Gleneagles G8 Summit, is the anniversary of the Piper Alpha disaster, a clear example of corporate negligence that cost 167 lives.

The report is in three sections:

- 1) The relationship between the G8 and corporations in general;
- 2) The companies likely to benefit directly from the G8 coming to Scotland, in particular, the UK drinks multinational, Diageo who own the Gleneagles estate where the G8 Summit will actually occur;
- 3) A more in depth look at Scotland Plc., covering major industry sectors in Scotland. This section also highlights major trends in Scotland as a result of corporate-led globalisation, including privatisation, the erosion of labour rights, environmental destruction and corporate lobbying.

### 1) Corporate Engagement at the G8

The G8 is ostensibly an informal meeting, not a policy making body. However, in reality, its summits and ministerial meetings are very much part of the architecture of current global governance. The G7 nations (the G8 minus Russia), also known as the 'Quad', have historically co-ordinated their trading positions at the World Trade Organisation (WTO), and the G8 control half the votes at the International Monetary Fund and the World Bank. Discussions at the various G8 meetings help these major economic powers to iron out differences and align their positions.

In all the G8 countries, corporate control over the democratic process has reached unprecedented levels. Corporations, however, still have a tangible influence on the G8 process itself:

- a) Business leaders sit on the various 'stakeholder' task forces that the G8 has established over the last ten years, such as the Digital Opportunities Taskforce and the 2000- 2002 Renewables Taskforce (which was co-chaired by the then Shell Chairman, Mark Moody Stuart);
- b) The chairman of the International Chambers of Commerce (ICC), arguably the most powerful lobby group in the world, meets with the President of the G8 on the eve of the Summit to make sure they are all singing from the same hymn sheet. This year's ICC president is Yong Sung Park, CEO of the South Korean company, Doosan Heavy Industries, well known for virulently anti-union policies.

c) The G8 allows prominence to blatant corporate PR efforts, such as the Global Business Coalition (GBC) on HIV/AIDS, again co-chaired by our favourite corporate statesman, Mark Moody Stuart. The GBC had a lobbying presence at the Genoa G8 Summit (2001) and may well be present this year. The GBC's presence would be particularly ironic considering the fact that the policies endorsed by the G8 in Africa – to open it up rapidly to the global economy – have contributed to the extreme poverty and social dislocation that has spread HIV/AIDS across the continent.

d) The G8 conveniently ignores the activities of corporations. If Blair and Brown were serious about tackling the two pressing issues of climate change and poverty in Africa, they would start by looking at the activities of the G8 oil corporations, not just in causing climate change, but in creating political instability, supporting corruption, human rights abuses and ecological devastation across Africa. They would also look at the activities of their arms companies in exacerbating conflict. From Congo to Sudan, it is not hard to find examples of G8 oil and arms corporations making money in the midst of devastation, poverty and conflict. Many of these oil and arms corporations have a presence in Scotland.

## **2) The companies likely to benefit from the G8 coming to Scotland**

UK drinks multinational, Diageo, owns Gleneagles hotel, where the G8 Summit will be taking place. Corporate Watch believes that this company will not only benefit materially from the Summit taking place at its hotel, but also from the agenda being set by the G8 on economic and structural support for Africa.

Diageo is the 11<sup>th</sup> largest corporation in the UK, owning many well-known branded drinks, such as Guinness, Smirnoff, Red Stripe, Johnny Walker and Gordon's gin. Scotland is a major production base for the company which has a presence in almost every country worldwide.

Diageo is already one of the most powerful corporations in Africa, and who can only benefit from proposals to open up Africa further to trade liberalisation and 'foreign direct investment'. Diageo has increased its market access across the continent through aggressive marketing and by spuriously attacking traditionally brewed beer as posing severe health hazards. Attacking homebrew directly means attacking a small scale industry, mostly carried out by women, that brings much needed income into the household. Diageo's breweries in Uganda and Tanzania have been responsible for large scale pollution.

## **3) Scotland Plc**

Defining a 'Scottish' corporation is a problematic exercise. Just because a company is registered or headquartered in Scotland, or even has the word 'Scotland' in its name, does not mean to say that it is actively contributing to the Scottish economy. In most cases, the biggest 'Scottish' companies are actually sucking wealth out to parent companies and shareholders elsewhere, as they are listed on the London or New York stock exchanges. Furthermore, the companies commonly held to be Scotland's biggest corporations, such as the Royal Bank of Scotland (RBS) and Halifax Bank of Scotland (HboS) have predominantly grown in recent years through overseas acquisitions, which has meant that much of their investment and employment has been outside Scotland. As our report demonstrates, 'Scottish' companies only owe their allegiance to the international money system.

The other major feature of Scotland's largest companies, in common with corporate-led globalisation worldwide, is that they have grown through the privatisation of public services. This is especially true for companies in the transport and electricity sectors such as ScottishPower and Stagecoach.

### **Privatising Scotland**

The Scottish Executive is strong promoter of privatisation, and in particular the Private Finance Initiative (PFI) where public works are built and managed by a private company, then rented back to the government. The first PFI scheme in the UK was the Skye Toll Bridge (between the Scottish mainland and the Isle of Skye) which was owned by the Bank of America for nine years until determined protests forced the Scottish Executive to buy it back at great expense.

PFI schemes in Scotland include hospitals, schools, a prison (Kilmarnock), parts of the immigration service and major road building projects. Large amounts of public money have been handed to major multinational corporations such as Sodexo (Scotland's largest provider of food and management services), Serco, Reliance, Balfour Beatty and Jacobs Babbit. PFI has proved controversial in Scotland, especially with an investigation by the Sunday Herald (June 2004) revealing that Scotland is mortgaged up to the hilt to pay for PFI schemes, owing debts to private consortia of at least £25bn over the next 25-30 years.

### **The pro-corporate Scottish political elite**

The corporate agenda and corporate lobbying are welcomed as enthusiastically by the Scottish Executive as by the G8. Devolution in 1999 allowed Scotland a limited amount of self-rule, though not over international issues, such as defence and trade. Despite not having a lot of power and the clearly pro-business outlook of First Minister, Jack MacConnell, a former PR executive, corporations still concentrate their lobbying efforts on the Scottish Parliament and the Scottish Executive, not the least, to keep politicians sweet so they can continue polluting at will.

The Executive's pro-business stance can also be witnessed by the numerous staff exchanges that have taken place between the Executive and industry, and the funding that the Executive has given to corporate lobby groups, such as the Scottish steering committee of the World Business Council on Sustainable Development. Corporate lobbyists also swarm around the Scottish Parliament, Holyrood House, winning and dining MSPs. The 'Scottish Parliament Business Exchange' scheme has also allowed corporate lobbyists unprecedented access to policy makers. The controversy around the building of the Scottish Parliament sums up the atmosphere of corporate sleaze that could be said to characterise the relationship between Scotland's political elite and big business.

A warm welcome to corporations: Hi-tech and biotechnology  
With traditional Scottish industries such as steel and shipbuilding in decline due to cheaper labour forces elsewhere, the UK government and the Scottish Executive have pushed high tech industries and new technologies as the way forward for Scottish economic development. During the 1980's, major global electronics companies were tempted to Scotland with the offer of financial subsidies. In recent years, these companies have scaled back their Scottish operations, relocating to countries with lower labour costs. The Scottish Executive has also backed biotechnology in Scotland, which has proved to be a similar burst bubble. PPL Therapeutics, the commercial wing of the Roslin Institute that brought us Dolly the sheep, faced bankruptcy and was bought out in 2004. Representing what is clearly the next wave of new technologies, the corporate front group, the Institute of Nanotechnology, is based at Stirling University.

### **Edinburgh's financial sector**

Some of the biggest companies operating in Scotland are in the financial sector. Edinburgh is a major European financial centre, home to many banks, investment houses and insurance companies. In recent years, many of the life insurance and assurance companies have changed their structure from being more democratic mutual companies owned by their policy holders, to become corporations owned by their shareholders, in line with the dominant corporate structure. These companies' investments follow the pattern of the global financial sector as a whole – predominantly in oil and drugs companies, and in the big international banks.

The Royal Bank of Scotland (RBS) is the 6<sup>th</sup> largest bank in the world, and a major financier of development projects such as the Baku-Tbilisi-Ceyhan oil pipeline; Standard Life is Europe's largest mutual life assurance company; Scottish Widows is among Europe's largest fund management companies and 3i, according to its website, is Europe's most active investor in the oil and gas sector, and has shares in the Glensanda quarry, near Argyll, one of the world's largest and most secretive, granite super quarries.

### **Environmental destruction**

Apart from funding unsustainable industries, Scotland itself is home to many environmentally destructive industries. Peat extraction, mainly by English and US corporations, has also decimated Scotland's rare and protected peat bogs, with only 9% remaining pristine. Oil and gas extraction, besides being a major contributor to climate change, has also devastated the North Sea marine ecology over the last 45 years. Shell and others are now moving into the ecologi-

cally pristine and little understood ecology of the Atlantic Frontier, off the Shetland Islands.

The Scottish economy is reliant on the oil industry, with Aberdeen known as Europe's oil capital. However with North Sea oil reserves having peaked in 1999, oil companies are giving mixed messages about the future of the region, with BP mostly selling off its concerns in the North Sea. Numerous international oil companies and oil service companies are still based in Aberdeen, including Shell, Total, AMEC and Halliburton. Scotland has its own oil exploration companies and oil service companies, including Cairn Energy, who rocketed into the FTSE 100 last year after it struck oil in the Rajasthan desert and is now exploring in ecologically sensitive regions in Nepal and Bangladesh.

Besides the impact on the environment, the oil industry is hugely destructive on communities living around BP's Grangemouth oil refinery, one of two refineries in Scotland. The oil refinery is surrounded by a petrochemicals complex including Syngenta and Avicia.

Meanwhile, Scotland continues to have one of the most unequal and secretive systems of land ownership in the world. 1250 landowners own around two thirds of Scotland – this is mostly the aristocracy, but also rich businessmen who see land as a good investment, reaping EU and government subsidies for monoculture farming and forestry, as well as for corporate entertainment, in the form of hunting and shooting.

### **The co-option of traditional industries**

Besides plundering Scotland's environment, corporations have plundered Scotland's culture. The co-option of traditional industries by multinationals is especially evident in the alcohol sector, where Diageo now owns many of the traditional single malt whisky distilleries including Talisker and Oban. This trend is also evident in the tourism industry, where major international hotel chains, such as Best Western and the Hilton Group, increasingly await tourists wanting a taste of 'traditional' Scotland. Scotland's fishing industry, which traditionally supported many small coastal communities in the North and North East of Scotland, both through economic pressures and the disastrous Common Fisheries Policy (CFP) is now controlled by a handful of Scottish millionaires. Meanwhile, destructive fishing practices and overfishing has forced various species to the brink of extinction in the North Sea, and forced some Scottish fishermen to the West African coast, in search of fertile fishing grounds.

### **The corporate assault on labour rights in Scotland**

Finally, labour rights in Scotland, as elsewhere, are being eroded as a consequence of corporate globalisation. This is very evident in the oil industry where the erosion of union power by the oil corporations has led to a lowering in health and safety standards. The 6<sup>th</sup> July, opening date of the G8 Gleneagles summit, is the anniversary of the Piper Alpha disaster in which 167 people died. Privatisation is also bringing in aggressively anti-union multinationals, such as Sodexo, who in recent years tried underhand tactics to try and break a strike at the Glasgow Royal Infirmary. Casualisation is becoming a feature of the Scottish labour force, epitomised by the Scotland becoming known as a 'nation of call-centres', with many international companies having call and contact centres in Scotland. Many of these are now offshoring to India in search of cheaper labour.

### **Conclusion**

This report isn't only about Scotland and the G8. It aims to raise the important questions that many are asking today about democracy in the face of global rule. Will we be subsumed into a fossil-fuel-addicted economy or will we resist to build vibrant sustainable local economies? Which will win out – ecological sanity or pathological capitalism? Will it be the corporate globalisation of profit and control, or a peoples' globalisation of ideas, creativity and autonomy?

As with many other regions where corporate-led globalisation has prompted resistance, Scotland too has a long and proud tradition of resistance to corporate and centralised power. With its vibrant environmental, peace and radical labour movements, the July 2005 protests around the G8 in Scotland, promise a great deal in terms of radical ideas and action. Corporate Watch hopes that this report will contribute to a greater understanding of the issue of corporate power both in Scotland and globally.