

## Opinion

## Towards responsible lobbying

By Bart Slob

Many big companies have adopted some form of responsibility policy over the past ten years, but nearly all fail to account for their corporate lobbying activities. Some countries are to be applauded for regulating on the issue, but voluntary initiatives are necessary too.



While political donations and policy influence are sometimes recognised as responsibility issues in the context of human rights, there are few efforts to address the issue of corporate lobbying more widely. Some accepted schemes for corporate responsibility reporting, including the 'G3' guidelines of the Global Reporting Initiative, do include guidance on reporting on participation in public policy development and lobbying, but many choose not to use these society performance indicators (S05 and S06). And G3, like many other reporting templates, does not require companies to report on lobbying activities conducted on their behalf by associations and chambers of commerce. This despite the fact that it is common for businesses to adopt positive positions on sustainability issues, while at the same time belonging to an association which lobbies to the contrary.

In many cases corporate lobbying negatively affects developing countries. Large banks, insurance companies and other financial service providers from the US and the European Union have, for instance, had a strong influence on negotiations related to the General Agreement on Trade in Services (GATS). The EU Trade Commissioner even called business lobbyists during the negotiations to consult them directly on the issues at stake. The EU requested that many developing countries remove all limits on the presence of foreign financial service providers, including the removal of those on full foreign ownership. In some cases, the EU also requested to end specific government requirements intended to enhance financial stability or to stimulate access to financial services for poorer clients and smaller companies. The resulting market liberalization has contributed to

the domination of foreign financial companies in developing countries and increased competition for the most profitable high-end market segments. Critics point out that this may in turn reduce access to financial services for the poor, which contradicts the responsibility policies of many financial companies. In addition, in some countries market liberalisation may have increased financial instability.

In China both EU and US Chambers of Commerce have effective in their lobby against Chinese labour law reforms. Meanwhile, US agribusiness multinationals have often lobbied in defence of in-kind food aid. This form of tied aid can harm farming livelihoods in developing countries because it has an effect similar to that of dumping agricultural products.

The pharmaceutical industry is of special relevance for developing countries because of its interest in defending intellectual property rights, which affects the availability of cheaper generic drugs. Some pharmaceutical companies have policies on specific types of lobby practice, but only a few, such as GlaxoSmithKline and Novartis, have made statements about their lobbying positions as well. Policies on conduct alone are far from sufficient to ensure lobbying efforts are consistent with stated positions on providing access to medicines.

Research by the Dutch Centre for Research on Multinational Corporations (SOMO) show that powerful multinationals support lobbying efforts at odds with their own policies and stated positions. Moreover, most companies do not disclose public policy positions at all and lack any kind of system to bring their lobbying into line with their responsibility policies. This can have serious consequences for developing countries, whether the target of corporate lobbying is the government of that country or those involved in negotiating international trade agreements. It does, of course, pose a serious risk to the credibility of the company involved too.

Although lobbying has rarely been integrated into company responsibility policies and management systems, some companies do provide some transparency on specific aspects of lobbying, with disclosure of political donations being the most advanced element. Unfortunately, this is probably one of the least important

ways of influencing public policy. Direct lobbying and constituency-building by individual companies as well as various collective strategies tend to have a much bigger influence and account for a much greater share of budgets. Direct lobbying by corporate executives and collective lobbying strategies remain locked in a black box, the former because the lobbying itself can remain undetectable and the latter because the role of one company among many is hard to determine. It is unlikely that these routes to policy influence can ever be fully regulated through national legislation.

Several high-income countries have attempted to regulate some aspects of corporate lobbying, by requiring the reporting of professional lobbyists, payments made to lobby firms, revolving door practices, and political donations. If more governments adopt such regulation, this could enhance transparency and reduce some forms of undue influence. However, none of the legal structures created so far require multinationals to disclose their policy positions, without which corporate accountability remains severely limited. Enforcement of any such laws is often nigh-on impossible because violations are tricky to detect.

So the voluntary initiatives and policies of individual companies and joint self-regulatory initiatives will be vitally important for progress. Such initiatives might include the disclosure of lobbying positions, funding of civil society organisations and academics, and reporting on a company's input in business associations. Nevertheless, it is unlikely self-regulation is an effective means of avoiding inconsistencies in corporate lobbying and corporate policy. Here governments need to do their bit.

SOMO's work was presented recently to a corporate responsibility conference in Amsterdam. The debate which followed revealed that lobbying is still a taboo subject for many, even though everyone knows almost all major companies and organisations engage in it to some degree. Regulatory and voluntary initiatives to make the politicking of our companies more transparent is something well worth lobbying for.

*This article is based on a paper written by Bart Slob and Francis Weyzig for the UNRISD Conference 'Business, Social Policy and Corporate Political Influence in Developing Countries'. ■*