Chapter 1

Global Companies as Actors in Global Policy and Governance

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Introduction

Globalization is the master concept of our time, invoked to describe the way in which the vast transborder flows of capital, goods, ideas, and people are transforming society, politics, and economics. However, it is unfortunately the case that the centrality of global companies as actors in this process of transformation, and a complex understanding of the role they play in respect of it, remains more a matter of *a priori* assumptions in much of the globalization literature. In assuming corporations are primarily “mechanisms” for profit maximization, from a policy and governance perspective anything they do beyond this is usually seen as resulting from threats to their financial performance via penalties for non-compliance with regulations, or taxing their products so that changes in market forces present them with no alternative but to change what they offer consumers. Alternatively, incentives are required such as subsidies for new products (e.g. research and development tax breaks), or new opportunities stemming from market mechanisms (e.g. emissions trading schemes). This is made more difficult in a global context, given the structural power of global companies that undermines national efforts to regulate them in the public interest.

Depending on the issues and the circumstances, this may all be true to a greater or lesser extent, but such a simplistic rendering of global companies does not convey enough about their underlying motivations. As their role as agents of globalization has come to be better understood, their motivations are increasingly the subject of much deeper and complex analysis. In particular, many scholars, including the contributors to this Handbook, are now addressing their relative under-construction by comparison to studies of the state and society. They analyze them as not just purely economic, but as political and social actors, and not just for the impacts they have, but the outcomes they drive.
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The intention in this introductory chapter is to lay some initial foundations and set the scene for the contributions by these scholars in the chapters to follow. Where global companies are located in the waves of theorizing globalization is considered initially, before considering how global companies matter as actors in global policy and governance. With a sense of them in this respect, just who and what they are that they matter in this regard is then outlined in order to set the scene for an overview of the parts and chapters to follow.

The State Is Not Yet Dead and the Market Is Not “in Charge”

Much of the early globalization debates revolved around the manner in which impersonal market forces, rather than states, were increasingly “in charge.” As the redoubtable Susan Strange put it, “where states were once the masters of markets, now it is markets which, on many crucial issues, are the masters over the governments of states” (Strange 1996: 4). In the aftermath of the Cold War, this was seen as an inevitable result of the irresistible “forces” of globalization by authors such as Fukuyama (1992) and Ohmae (1990) who saw a world of laissez faire capitalism and the “inevitability” of neoliberal market deregulation and privatization that went with it. The view of these hyperglobalists, as they are now often called, was popularized by Friedman’s (1999: 87) declaration that all states had no alternative but to don their “golden straightjackets” in recognition that globalization means “your economy grows and your politics shrinks.” They could try to put on other “clothes,” but not only would they be unfashionable, they would suffer the consequences as the market chastised them for so doing with all the economic, social, and political pain that would be inflicted as a result. As such, many commentators actually foresaw the death of the state. Those on the left of the political spectrum despaired of the prospect, while those on the right celebrated it, but in between the extremes there was a growing acceptance of the proposition that states would increasingly function (rather than rule) in a passive, facilitative role as the places where global market imperatives were played out, and in this respect they would serve as “merely the handmaidens of firms” (Strange 1997: 184; see also Crouch 2004).

What a load of “globaloney” retorted others (Hay and Marsh 2000: 6)! Skeptics, such as Hirst and Thompson (1996) and Weiss (1998) who famously dismissed the “myth of the powerless state,” subsequently attacked the hyperglobalists’ zeal for the inevitability of free market capitalism writ large on the world. Their skepticism was not so much ideological, as it was based on a critique of what seemed a much too sweeping and disembodied account of globalization. In particular, they pointed out that the governments of nations remain very much drivers of the processes and outcomes of governance, as did those who followed them (e.g. see Bell and Hindmoor 2009; Drezner 2007; Weiss 2003). While many stressed the way the marketization of all aspects of society and state functions has produced a neoliberal form of the state, scholars in this vein stressed the way that states have embraced markets as a policy choice rather than having it thrust upon them (e.g. see Tiberghien 2007; Thatcher 2007). Indeed, there has been a vast literature since Vogel’s (1996) Freer Markets More Rules that examines the marketization of the functions of the state as a process of reregulation rather than deregulation.
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As for the ideological aspects underpinning globalization, many scholars have recognized the power of the idea, and the political impact of leaders who enthusiastically embraced the neoliberal market reforms that sprang from it. For example, Margaret Thatcher did her best to institutionalize this view given her much cited “TINA” principle: There Is No Alternative to the free market. Ronald Reagan agreed, as did world leaders of more left-leaning political persuasions who followed, such as Bill Clinton whose 1992 presidential campaign was marked by the phrase “it’s the economy stupid” to excuse his administration’s likely impotence in the face of global market forces. In a similar vein, on taking office as Britain’s new Labour Prime Minister in 1997 Tony Blair said that “the determining context of economic policy is the new global market,” which Ralston Saul (1997: 21) cheekily translated as “don’t worry, I won’t be able to do much.” Even so, they were skeptical that there was anything particularly new about globalization. As Wade (1996) pointed out, those predisposed to embrace the inevitability of the market being in charge and the demise of the state have been predicting this for at least the last two hundred years. For example, writers of the early to mid-nineteenth century envisaged “a single, more or less standardized world where all governments would acknowledge the truths of political economy and liberalism would be carried throughout the world” (Hobsbawm 1977, quoted in Wade 1996: 61).

Where are corporations in this debate? As authors such as Culpepper (2011) and Fuchs (2005) note, too often they go missing in what amounts to a states-versus-markets account, with more focus on the states and a priori assumptions about the markets. The politics of global capitalism is more complex than this, and the reality is that as key agents of global integration, global companies are central to an understanding of the transformations underway in the policy process and new forms of governance that are the outcome of the increasingly globalized world in which we live. After all, the complex independence that underlies the concept of globalization calls for a study of the continually evolving relationship between state and non-state actors, rather than claiming the loss of sovereignty by states to “markets.” Therefore, focusing on global companies as the dominant private actors driving the processes of globalization grounds the debate as it re-embodies the forces for change as opposed to the shrill pronouncements of those who declared the inevitable death of the state on the altar of global forces that are “out there” beyond their control.

Considering global companies also shifts the focus to the processes by which global politics is being transformed. Globalization is a dynamic concept. As the term implies, it is a set of processes not an outcome. It is not an “ism” but a process of “ization.” Seen in this light, authors such as Held et al. (1999), Dicken (2007), Hay and Marsh (2000), and contributions to be found in collections such as Held and McGrew (2003) are emblematic of those who embrace a contemporary transformationalist perspective on the concept of globalization. They reject the epochal change prophesied by the hyperglobalists, but while sharing the concerns of the skeptics they have a dynamic perspective on the question of state sovereignty, in the sense that they see states’ political agency as increasingly relying on them sharing sovereignty with each other in order to retain it, as well as with non-state actors such as global companies that are themselves agents of the transformation underway. Theirs is an institutional and relational conception of globalization through which political agency is being reconstructed as a result of the processes of transformation.
driven by the actors involved. As such, an actor-centered basis for analysis serves us best in understanding this as it is not that disembodied market “forces” have taken over, but that in a more interdependent world there are more actors involved, and global companies are central among these.

The Dominance of Global Companies

The myth that markets are and should be in charge has long been propounded by those who would attack the state. The “father of liberalism,” Adam Smith, was among the first to lead such an attack with his reference to the governing power of the market’s invisible hand. The invisible hand he referred to was an allegorical one, but it came to be accepted as real and inevitable. In Mikler (2012) I have argued that the veracity of “the market” as a concept for understanding global economic relations should be more widely debated than it often is. This is because rather than being buffeted by the competitive forces of global markets that the hyperglobalists asserted were now in charge, the reality is that the global economy is highly concentrated and oligopolistic. All the world’s major industrialized sectors are now controlled by five multinational corporations (MNCs) at most, while 28% have one corporation that accounts for more than 40% of global sales (Harrod 2006: 25; see also Fuchs 2007).

A basic measure of the size and power of these corporations is given by their annual sales revenues in comparison to the national incomes and expenditures of states. Data from UNCTAD (2011) and the IMF (2011) indicates that in 2008 the top 20 non-financial corporations’ sales were worth US$4.3 trillion, equivalent to the combined national expenditure of the bottom 163 states, and greater than the combined gross domestic product (GDP) of the bottom 137 states. These are astonishing figures, given that there are currently 192 states in total. On the basis of GDP, many of the top 20 corporations are as large as middle-income or emerging states such as Chile, Algeria, and the Philippines. On the basis of national expenditure, they are as large as many of the top 30 high income states. Only the world’s largest and most influential economic powerhouses, such as the United States, Germany, Japan, and (relatively recently) China may be said to rival them.2 It may also be noted that in 2008 the United Nations had a budget of just US$4.2 billion (United Nations 2007), and perhaps more pertinently, given that it describes itself as “the only global international organization dealing with the rules of trade between nations” (WTO n.d.a), the World Trade Organization (WTO) had a budget of just US$171 million (WTO n.d.b).3 These global companies are much larger than not only many of the world’s most powerful nations, but also the international organizations to which they belong that are supposed to make “rules for the world” (Barnett and Finnemore 2004).

Global companies are therefore vast conglomerates that underpin not just whole national economies, but the world economy. The decisions they make have flow-on effects to other industries and industrial sectors. For example, 5 of the world’s top 30 non-financial corporations are car firms. They dominate the automotive sector which accounts for 4% to 8% of GDP and 2 to 4% of the labor force in OECD countries. The industry’s importance is then further magnified in particular states and regions. In the United States, car manufacturing employs 14 million people either directly or indirectly in component suppliers and related industries, contributes 6% to private
sector GDP overall and as much as 20% in some regions. In the EU, the car industry accounts for 9% of manufacturing value added and directly or indirectly employs over 12 million. In Japan, 7.1 million people are employed by the industry directly or indirectly, and it accounts for 11% of total manufacturing output (UNEP and ACEA 2002; see also UNEP 2002). Market forces are not in charge on the basis of the disembodied laws of Smith’s invisible hand, but the embodied interests of global companies such as these.

The same may be said of Ricardian comparative advantage, because it has long been recognized that the majority of trade between developed countries is intra-firm rather than inter-state in nature (e.g. see Karliner 1997; Grubel and Lloyd 1975). Already by the 1990s, as much as 60 to 70% of trade in manufactured goods between OECD countries was intra-firm (Bonturi and Fukasaku 1993; see also Bardhan and Jaffee 2005; Strange 1996). The reality is that trade data are less a reflection of national comparative advantage, and more of the internal corporate strategies of a handful of global companies and the global supply chains they control. No wonder the Director General of the WTO, Pascal Lamy, recently enjoined corporate leaders to assist in maintaining and crafting future rules for international trade and investment in the following terms:

It no longer suffices that you trade while relying on governments to craft the regulatory framework for you in the WTO through which your trade relations would take place. You must provide the “evidence,” through your trade experience, of what is actually happening on the ground, and must guide us in how to make things better. (WTO 2011)

According to authors such as Sell (2003), they have already taken up his offer. In the context of her analysis of the manner in which the WTO’s Trade Related Aspects of International Property Rights agreement was largely fashioned by, and in the interests of, the world’s major corporations, she quotes James Enyart, former Director of International Affairs for Monsanto, as saying that “the rules of international commerce are far too important to leave up to government bureaucrats” (Sell 2003: 96).

Scratching the surface, and in so doing removing the veneer of abstractions such as “markets” and “competition” in them, the implications of a global economy dominated by large, powerful, multinational corporations is that rather than Smith’s invisible hand of the market, a visible handful of global companies straddle the globe “freed . . . from the restraints of classical competition” (Harrod 2006: 25).

The Geopolitics of Global Companies

Just as power is not globally diffuse in markets, nor is it the case that global companies themselves are everywhere and nowhere. Despite over sixty years of a supposedly global liberal agenda, it remains the case that rich, industrialized countries still account for 80% of world output, 70% of international trade and make up to 90% of foreign direct investments (Chang 2008: 32). But to be more accurate, it is the corporations from these countries that do so. The FT Global 500 companies are responsible for 30% of world output, 70% of international trade and at least 80% of the world’s stock of foreign direct investment, and they are not placeless entities.
A third of them are headquartered in the United States, and the top 10 states by headquarters account for 79% of them. They are (in order) the United States, China, Japan, the United Kingdom, France, Canada, Germany, India, Switzerland, and Australia (Financial Times 2011; see also Rugman 2000; Bryant and Bailey 1997).

Those still adhering to the hyperglobalization perspective will be keen to point out even so there is an inevitable process of transnationalization underway, but this is only true up to a point. First, the change so far has been extremely gradual. The United Nations Conference on Trade and Development’s (UNCTAD) transnationality index (TNI) is a measurement of corporations’ transnationality, and is a simple composite average of foreign assets, sales and employment to total assets, sales and employment. The average TNI for the world’s top 100 MNCs grew from 52 to 59 between 1993 and 2008 (UNCTAD 2011; Dicken 2007), so that at this rate it will be another 30 to 40 years before their average TNI reaches 75%. Secondly, such global trends mask national specificities. For example, the average TNIs of US, German, and Japanese firms in the top 100 MNCs are just 51, 55 and 52 respectively (UNCTAD 2011), so that on average the largest corporations headquartered in the world’s major industrialized nations retain half their sales, assets, and employment at home. Thirdly, it is by no means certain that the gradual long-term trend towards greater corporate transnationality is irreversible. Corporations have certainly constructed elaborate supply chains to benefit from the weaker standards, lower wages, more “flexible” conditions and general financial benefits of internationalizing their operations. However, as the opportunities for efficiencies shrink with the development of the states in which these companies have invested, such as China and India, and as the rising cost of oil and carbon emissions must ultimately be factored into corporate strategic decision-making, local rather than global strategies may become increasingly attractive (e.g. see Economist 2011). Even if this does not involve a wholesale rush back to corporations’ home bases, it may produce a rationalization of their supply chains.

This raises the point that it is not just the location of existing global companies that is important, but the states and regions from which new ones are emerging. Chinese and Indian companies in particular are moving rapidly to take their place on the world stage, and this mirrors the rapid emergence of China and India as economic powers. It is no longer as true to say that “a statistical profile for the current corporation indicates that it is predominantly Anglo-American” (Harrod, 2006: 27–28), but it remains the case that the home bases of the world’s largest corporations are like a map of global economic power, both established and emerging. Global companies emerge from, and have their headquarters in, distinct territories from which they then impact on others, and just where these places are is also undergoing transformation.

This is certainly true of ownership and control, which has long been recognized as remaining very much national rather than multinational or global. This is illustrated by considering the car industry. Despite often being taken as “a paradigm case of a globalised industry” (Paterson 2000: 264) because it is dominated by global companies that manufacture and distribute products on an integrated global scale, Deutsch Bank’s (2004) overview of it demonstrates that mergers, takeovers, and cross-shareholdings mean that it is controlled by a shrinking handful of companies of predominantly North American, European, and East Asian nationality. Furthermore,
one notable aspect of the ongoing aftermath of the global financial crisis is that in
times of trouble the boards of corporations seek support from their home countries’
governments, as for example General Motors did of the Obama administration.
Rather than the notion of the global company as a placeless entity driven by global
market imperatives, the reality is that where corporations are based, where they
hold their assets, where they employ their workers, where they generate their sales
revenue, and where they make their key strategic decisions matters a great deal.

Given that this is the case, institutional considerations may be at least as important
as the material aspects. Ultimately, regardless of where a corporation decides to
locate its manufacturing operations or where its employees are located, Dicken
(2003, 234; echoing earlier arguments made by authors such as Boyer 1996) notes
that corporations “are ‘produced’ through an intricate process of embedding in
which the cognitive, cultural, social, political and economic characteristics of the
national home base play a dominant part.” Organizational and individual behavior
within firms, including global companies, are a consequence not just of internal
strategies, but of the national institutional contexts in which they remain embedded.
Authors such as Rugman (2005), Doremus et al. (1999), and Hampden-Turner and
Trompenaars (1993) have long noted that corporations retain distinct national and
regional characteristics, as has the comparative capitalism literature (e.g. see Whitley
2002; Hall and Soskice 2001, and the extensive debate around their Varieties of
Capitalism approach outlined in Hancke 2009).

Haufler (2006: 89) observes that only with Adam Smith’s Wealth of Nations
“does a separation between public and private economic affairs start to be widely
discussed.” If we conceive global companies as distinct from states and somehow
“outside” of international relations, we miss the reality that, as per the transforma-
tionalists’ perspective in theorizing globalization, it is the way they wield their
power relationally with other state and non-state actors, as well as among them-
selves, that should be the subject of study. As the boundary between what is public
versus private becomes increasingly blurred, sovereignty is not necessarily being lost
by states, nor authority therefore gained by market actors, as the exercise of it is
being transformed. Sometimes policy outcomes remain significantly driven by states,
while in others global companies appear more in the driver’s seat. Sometimes, states
benefit as a result, while in others global companies are the beneficiaries. What can
be said is that rather than one or the other definitively being the case, it is virtu-
ally impossible to disentangle the interests of the two in developing policies and
the outcomes that are delivered. The process is distinct from the outcome (who
benefits, who is empowered, who increases their control and so on). The former
always involves shared sovereignty/authority, and this is distinct from the question
of whether sovereignty is enhanced, diminished, or altered as a result. Therefore, and
increasingly, global companies are always involved.

Global Companies as Relational Actors

There is far too much analysis not of the role of global companies in globalization
debates, but instead of the role of markets versus the state, the power of capital
versus democratically elected representatives, the way corporate interests are served
rather than those of citizens and so on. A deep and complex understanding of the
construction of corporations as social, economic, and political actors in policy terms often goes missing. This is surprising, because we have long been told that business is now the “most powerful institution on the planet” and therefore perhaps even the “dominant institution in . . . society” (Korten 1996). Statements such as these suggest that global companies, which embody business interests, will increasingly “rule” the world as their operations increase in size and scope. Yet there remains a relative dearth of contemporary analysis on what is meant by corporations “ruling” in a policy and governance sense.

The preceding discussion is by way of underlining the point that global companies do not unproblematically override the capacity of states to regulate them. In the face of industry sectors dominated by a visible handful of corporations, it is more efficient for states to reach agreement on rules for their operations rather than seeking to curtail these – i.e. new forms of re-regulation rather than deregulation. Braithwaite (2008: 4) explains it thus:

The corporatization of the world is both a product of regulation and the key driver of regulatory growth . . . The reciprocal relationship between corporatization and regulation creates a world in which there is more governance of all kinds.

In a similar vein, Amoore (2006: 55; see also Porter 2011) observes that “if IPE persists in its view of the corporation as a unitary agent whose private authority stands outside of the public authority of the state, then, in effect, it will miss the multiple ways in which corporations are authorized to act on behalf of the state.” To this we might add international organizations and society. The point that she makes is that there are large, powerful corporations and large, powerful states that act together, and analytically untangling the two is almost impossible.

One obvious response to this would be that states’ power to drive policy processes and to govern within their territories as well as in global affairs is being undermined by the very fact of them having to share sovereignty with such powerful transnational non-state actors. After all, it is often pointed out that global companies with international interests and operations can potentially “escape” taxation, shift aspects of their operations to other states where conditions and standards are weaker, but financial incentives are greater, and therefore play states off against one another. This is true even as they retain distinct home bases and seek the support of their home state governments. The power of these governments to embody and reflect the interests of their citizens is undermined in the process. The result is a democratic deficit wrought by the demise of states whose sovereignty is universally attacked, leading to the undermining of citizenship and a splintering of collective communities into individuals, with these individuals increasingly little more than consumers (e.g. see the contributions in Cahill, Stillwell, and Edwards 2012).

This is based on the largely unstated assumption in much of the globalization literature that from a political economy perspective the world is comprised of liberal democratic nation states, with their sovereignty defined in terms of the legitimacy they derive from their ability to express the will of their citizens. Of course, this is not the reality. For example, Diamond (2002: 26) suggests that less than 40% of all countries may be regarded as liberal democracies. Yet, these are the countries on which much of the globalization literature, and the debates in it regarding the
endurance of the nation state and its sovereignty, focuses. It is largely the same for
the contributions in this issue, and this should not be surprising. Given that the rich,
industrialized countries which dominate world politics are liberal democracies, and
those that are emerging are (albeit arguably) becoming thus, and that these are where
global companies have their home bases, exploring the ways in which sovereignty is
shared with market actors in these contexts to achieve policy outcomes necessitates
a focus on them. Therefore, although developing countries and states that may be
thought of as other than liberal democracies feature in some of the contributions,
nevertheless the world's wealthy, industrialized, liberal democratic nations and their
corporations feature in all of the contributions to this Handbook.

What should be stressed in respect of these states is that they have long been
"modest nation states" Mann (1997: 477). Rather than the sovereign-ruled states
of centuries past, the modern, democratically sovereign state is not one that seeks
an empire by conquering others, is less prone to authoritarianism, governs in the
interests of its citizens and is restricted to ruling, at least overtly, over its own territory
and not that of others.8 A legitimate state is seen as one that exercises primarily soft,
rather than hard, power. It is in this context that states are reconstructing the ways
they share their sovereignty with non-state actors such as global companies, as well
as each other, so that the reconstruction of such states’ political agency is more
qualitative than quantitative, with the “quantity” of their sovereignty having been
diminished not just as a result of the “forces” of globalization, markets, or indeed
global companies themselves, but over a longer period of time since the Treaty of
Westphalia and, more recently, a political choice of governments subsequent to the
destruction wrought by the two world wars of the twentieth century. It is not so
much a matter of whether sovereignty is diminished by comparison to some state
of affairs that has long ceased to exist, let alone been seen as desirable. Instead it is
more one of qualitatively understanding the shifting dimensions within which states
share their sovereignty to achieve policy outcomes.

The implications of this are quite fascinating. One of these is that although there
is a theme in much of the (especially earlier) globalization literature of the inevitabil-
ity of the neoliberal state, with this involving a ceding of state sovereignty via a
process of deregulation and privatization, it is little acknowledged that the corollary
of this is a “publicization” of the role of corporations as they assume the mantle of
responsibility for performing functions that were once seen as the preserve of the
state. The hybrid forms of authority produced in the process mean that Friedman’s
(1970) dictum that “the business of business is business” seems to have been replaced
with one that the “business of business is government” as powerful states effectively
outsource their functions, especially in respect of their citizens, while often main-
taining the power to determine what these are. In this way, they have “hijacked”
the agendas of corporations as much as the converse is the case, and this is why
they have not “faded away” into irrelevance (e.g. see Parker 2002). The relationship
between states and corporations is what matters, rather than a belief in some artificial
boundary between the two that demarcates one as a market actor and the other as a
political actor.

Another implication is that these large, powerful market actors should more
accurately be seen not just as economic, but also as political and social entities. This
is why it makes sense to speak of them exercising authority. It is not “just” that
global companies exercise their power in respect of, or over states, but that they possess the ability to make and drive policy outcomes in their own right. At the same time as the transformationalist wave was building in the globalization literature, there has been a growing literature on private authority in world affairs that stresses this (see especially Cutler, Haufler, and Porter 1999; Haufler 2001; Cutler 2003; Sell 2003; Hall and Biersteker 2002). The two literatures “speak” to each other, and how they do so offers opportunities for opening up debates on the extent to which politics is globally transformed. Private actors form relationships with each other, with governments, and directly with society, and in so doing “construct a rich variety of institutional arrangements that structure their behaviour” (Cutler, Haufler, and Porter 1999: 333). These arrangements may take the form of informal industry norms and practices; the advice and recommendations of coordination services firms (e.g. credit ratings agencies); production alliances and subcontractor relationships; business associations; and private regimes (e.g. the International Organization for Standardization).

Through such arrangements, private market actors “govern themselves and others, both domestically and internationally” (Cutler, Haufler, and Porter 1999: 367), and they deploy and exert private authority as a form of governance over states or in concert with them. And sometimes they do so directly with society. For example, global companies wielding private authority appear to be increasingly taking responsibility for the social and environmental effects of their actions. In addition to formal regulations, the relationship between society and business therefore suggests the potential for informal forms of non-state environmental governance (e.g. see Florini 2003; Prakash 2000). In respect of the environment specifically, Wapner (1996: 65) notes that society can “sting” corporations into taking environmental action and that “this sting is a type of governance.” Today, the idea of corporations bearing environmental and social responsibility for their actions has become so widely accepted that authors such as Vogel (2006) find corporations to be embracing the “market for virtue.” For example, it may be argued that global companies are actually taking over and driving, rather than responding to, debates on sustainability (e.g. see Dauvergne 2012). Such developments are reflected in a burgeoning corporate social responsibility literature (e.g. see Crane et al. 2009), as corporations have come to realize that their “reputations are valuable commodities that need protection” (O’Callaghan 2007: 98). The result is that social groups, and social concerns, potentially promote or undermine corporate reputations, leading companies to constrain the socially negative aspects of corporate behavior while promoting socially desirable outcomes. The business of business is not just government, but governance, as companies claim responsibility for outcomes that were once seen as the preserve of the state.

Therefore, policy outcomes need to be understood in terms of the sharing of sovereignty (on the part of states) and authority (on the part of private market actors), in the dominant national, regional, and international contexts in which this happens. Governance continues to evolve as a function of power relations between public and private actors, and it no longer makes as much sense to talk about the interests of states versus markets/business/corporations, nor of social versus corporate interests, so much as it does to study the way in which identities and functions are becoming merged.
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The Organization of This Handbook

This Handbook is organized around six parts the purpose of which is to tease out the implications of global companies as central actors in respect of global policy and governance. The first two parts have contributions from authors who define and spatially locate global companies in a globalizing world and conceptualize the power they wield. The subsequent parts focus on the relations global companies have with the state, international organizations, and society. The final part considers the extent to which global companies may be loci of private governance in their own right. In the process, themes such as environmental sustainability and social responsibility are covered, as are cases from particular industrial sectors and individual companies.

In the first part Hinrich Voss, Stephen Wilks, and Andrea Goldstein consider the ways in which global companies act at the global, regional, and national level to drive policy and governance processes. They demonstrate that while global companies exert influence at the global level, it is not the case that the power they wield is diffuse in global “markets” so much as it is embodied in them as key actors on the world stage. As it is embodied in them, it is therefore located somewhere, but in a world characterized by complex interdependence the central point they make is that they drive policy and governance processes at a variety of levels and in the process have global impacts.

While the first part establishes what and where global companies are, the emphasis in the second part is on theorizing the power they wield at the global, regional, and national levels. In this part, Doris Fuchs, Tony Porter, Sherri Brown, Stephen Bell, and Nina Kolleck demonstrate that their interests are not simply and narrowly defined in terms of instrumental action designed to produce material returns. They are not simply economic instruments of profit maximization, but are more complex agents of political and social change. As such, the power they possess and wield is complex, and needs to be understood in its various dimensions. The power wielded by corporations is not only relational, but structural and discursive, and as it is wielded by them it impacts on social and environmental outcomes.

The next three parts consider the relations global companies have with other actors. In Part III, the manner in which states share sovereignty with global companies is considered, and from global companies’ perspective the way they in turn share their authority with states. This is especially the case for global companies that have operations and interests in many states and territories. The role played by global companies versus states in the policy process, and the way the two share authority to effect new forms of governance, is the focus of this part, with contributions by Terry O’Callaghan, Vlado Vivoda, Denis Saint-Martin, Sung-Young Kim, Shiufai Wong, Caner Bakir, and Cantay Caliskan.

The globalization of world politics is said to necessitate global governance, if not global government. International organizations are the vehicles for this. Their membership is comprised of states, but increasingly global companies are key players in the drafting of international agreements. If this is not always via their membership of international organizations, it is said to be the case through their ability to influence or even drive negotiations in them. In the fourth part, Sarianna Lundan, Cornelia Woll, Deborah Elms, Matthias Finger, Pamela Blackmon, Marianne Thissen-Smits,
and Patrick Bernhagen examine the ways in which they do this, focusing in particular on the extent to which the goals and activities of international organizations may be said to be synonymous with those of global companies.

Capitalist relations of production are social, and it has long been recognized that corporations are socially embedded in the societies in which they are located. Through their activities, they impact on society in both negative and positive ways, and they are increasingly keen to be seen to be proactively doing the latter. Contributions by Ann Florini, Tanja Brühl, Matthias Hofferberth, Kate Macdonald, and Frank Boons in Part V examine the interactions between, and mutual embeddedness of, global companies and society at the national, regional, and global levels, and the potential for “governance without government” as a result.

If global companies are central actors in global, regional, and national policy processes, what outcomes can they be expected to deliver? Finally, in Part VI the question of the current and future potential for global companies as drivers of global private governance, as well as the benefits and drawbacks of this, are considered by Shana Starobin, John Mathews, Luc Fransen, Hevina Dashwood, and Simon Zadek.

By bringing together the work of established and emerging scholars who treat global companies as the subject, rather than object, of analysis in global policy and governance, I hope that readers of this Handbook will have a better appreciation of them as actors in the processes of global policy and governance. Rather than studying global companies for the effect they have on states and societies, the authors of the following chapters study them as purposive actors that drive policy processes and deliver outcomes in their own right. In doing so, they address a relative deficit in the globalization literature that sees states, international organizations, and global civil society as reasonably well “drawn,” while firms are more simply “sketched” as instrumental profit seekers with the power and influence they wield then analyzed in these terms.

The Handbook will therefore be a platform for gathering the insight and work of scholars on the cutting-edge of theory and empirical analysis who tease out the general issues and theories surrounding institutions and governance in respect of global companies, and do so explicitly from the perspective of them as actors not just impacting on, but increasingly proactively driving the policy process. Rather than a state-centric basis for analysis, as in much of the international relations literature, or a focus on the purely business aspects, as in much of the international business and management literature, the result is a fresh perspective on global companies as key agents of global transformation.

Notes

1 They in turn point out that it is a term that has entered common usage to the point where the identity of whoever first coined the term is now unclear.

2 It might also be noted that a list which included financial corporations would have also included banking and insurance companies such as ING Group (revenues of US$198 billion, similar in size to Romania) and AXA Group (revenues of US$152 billion, similar in size to Hungary). The reason they were not included in this list is because they do not strictly make sales in the same manner as non-financial corporations. Instead, they generate revenues. Therefore while some lists include them together, such as the Forbes Global 2000, they are not strictly comparable on the same basis.
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4 Bardhan and Jaffe (2005) more conservatively estimate that the figure for the United States is more conservatively around 50%, but overall the point made by Strange (1996: 47) is that “by 1990 the goods and services sold by foreign affiliates of TNCs were almost double world exports, if intra-firm trade is excluded to avoid double counting.”

5 The world’s top 500 companies on the basis of their stock-market capitalization.

6 These calculations treat the top 100 corporations as a group, calculating their transnationality based on the sum of their assets, sales, and employment.

7 International political economy.

8 This is why he says “the original backbone of the nation state is turning to jelly” (Mann 1997: 492).

References


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