



NGOs and Transnational Finance

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This essay, which explores the capacity of NGOs to run transnational campaigns targeting financial markets, is divided into two sections. The first section clarifies the definition of NGOs and evaluates their potential, providing examples of successful campaigns run by NGO coalitions. The particular power of the environmental movement is also explored here. The second part examines the increasing involvement and effectiveness of NGOs in global financial markets, with particular emphasis on the importance of institutional investors.

NGOs and Transnational Action

Global capital is not the only important political force organised transnationally; indeed, many of the groups known as non-governmental organisations (NGOs) also seem to have the capacity for global reach. Certainly, this transnationalism is feted in much of the literature, where it is often suggested that NGOs form a nascent 'international civil society' (see, for example, Clark, 1995: 514). NGOs may also be increasingly supplanting parties and trade unions as favoured forms of political involvement. Some scholars claim that "the plurality of interests and forms of resistance associated with NGOs signals the demise of the vanguardist role of the proletariat or any other privileged group in producing social transformations and reflects the popular disenchantment with political parties and unions as forums for expressing social dissent" (Fernando and Heston, 1997: 9). The Western European trend seems to be in this direction, as since 1945, the public's interest in politics has increased, but participation in political activity outside party lines has increasingly been supplanting active party membership (Wainwright, 1994: 193).



Though their potential is much celebrated, and indeed they are paid a great deal of attention generally, NGOs are quite difficult to clearly describe. This is because they are such a diverse set of organisations; by definition, all those that are 'non-governmental'. There are more than 25 000 international NGOs, with widely varied goals, operations and levels of funding (Economist, 1999c: 22). Even when the definition is restricted to those NGOs involved in political campaigning, the heterogeneity of their agendas remains immense. For example, in the recent WTO conference in Seattle, a seminal event for so-called 'anti-globalization' NGOs, 20% of the 776 NGOs registered for the conference lobbied for more open markets (Bayne, 2000: 136).

Notwithstanding their diversity, some generalisations about the nature of campaigning NGOs are possible. They are largely single-issue social movements, evidencing "commitment to a very focused set of concerns" (Clark, 1995: 510), and advocating these concerns in the political sphere. The most significant NGOs focus on the environment, developmental politics and human rights (Gorg and Hirsch, 1998: 602). Redistributive politics is not therefore the issue of highest importance for the large majority of NGOs. Finally, NGOs are often viewed as representatives of civil society, and indeed commonly "claim a certain legitimacy for their causes by virtue of popular representation" (Clark, 1995: 508).

Since they are generally not affiliated to states, the potential exists for NGOs to successfully execute transnational political campaigns. Individual NGOs may run nearly identical campaigns in a number of states simultaneously, as with Oxfam International's Education Now campaign (Oxfam International, 2000). Alternatively, various NGOs might build horizontal coalitions across states, as occurred before and during the Seattle WTO meeting (Foreign Policy, 2000). Such coalitions have been aided greatly by the increasing ease of communication over the internet (Economist, 1999c). Interestingly, then, it seems that improvements in communications technology have helped empower both transnational finance and transnational NGOs.

Coalitions of NGOs organising transnationally have already won a number of major political victories, and some of their successful campaigns have been in direct opposition to the interests of global finance. One of these was the movement against the OECD-negotiated Multilateral Agreement on Investment (MAI), which, if agreed upon, would have cemented certain rights of market access for international investors and consolidated the liberalisation of state controls on capital. Many NGOs specifically objected to its lack of consideration of social and environmental issues (Mabey, 1999: 65). Negotiations for the MAI had been going on in secret between finance ministries for some time when in 1996, the first details of the proposal were leaked (Mabey, 1999: 64). A broad-based NGO coalition soon emerged in opposition of the treaty,



spearheaded by the US NGO Global Citizen and coordinated through the Internet (Foreign Policy, 2000). This movement was soon able to introduce environmental and social considerations into the negotiations, and eventually helped to end the talks altogether (Mabey, 1999: 61). It should be noted, though, that neither the proposal nor the movement have gone away, as attempts have been made to introduce the MAI into other intergovernmental fora (Public Citizen, 2000).

Another major NGO achievement has been the success of the International Campaign to Ban Landmines (ICBL). First formed in 1992 as a coalition of six NGOs seeking an international ban of landmines, the movement helped to place the landmine issue on the international agenda, and eventually witnessed the birth of a Mine Ban Treaty, which entered into force in March 1999. Notably, the ICBL received the 1997 Nobel Peace Prize for its efforts (ICBL, 2000).

Perhaps the most effective group of NGOs has been the environmental movement. Often these organisations share some of the same goals and opponents as the redistributive left; indeed, it has been noted that "many of the effective contemporary anti-capitalist voices" come from a Green rather than a socialist background" (Callinicos, 2000: 121). Certainly many environmental NGOs were part of the anti-MAI coalition, with some, such as Friends of the Earth, playing a leading role. Generally, the environmental movement has been highly successful in influencing state behaviour, including in intergovernmental contexts. For example, pressure from environmental NGOs, particularly in the United States Congress, assured that trade and environmental issues were linked for the first time in NAFTA (Baker Fox, 1995: 49). Similarly, NGOs strongly affected the negotiating positions of governments in the WTO meeting in Seattle, helping to lead to that conference's failure. American NGOs helped assure that "for the first time since the Second World War, the US was not pressing for an ambitious programme of trade liberalization" (Bayne, 2000: 143), instead focusing on labour and environmental standards. At the same time, environmental NGOs in Europe were particularly effective in hardening the EU's position on genetically modified food (Bayne, 2000: 138).

Other notable successes of the environmental movement include both the existence and the achievements of the Rio de Janeiro Earth Summit in 1992 and the Kyoto Conference on Climate Change in 1997, and more generally, the prominence of environmental issues on the global political agenda. Increasingly, the ideology of environmentalism informs policy debate and influences political outcomes even without the direct involvement of environmental lobbyists. NGOs have been successful at framing issues in environmental terms, with forestry, for example, now an issue of environmental conservation rather than simply economic production (Bernstein and Cashore, 2000: 82). Moreover, environmental issues are more and more often perceived by



policymakers, especially in the North, as issues of public interest rather than partisan politics, with environmental NGOs perceived to be speaking for civil society generally rather than for the politicised few (Fernando and Heston, 1997: 12).

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It is important to observe that although of transnational importance, the NGO-led political campaigns listed above have all been centred on states. The MAI was being negotiated between the governments of the OECD nations, and was thwarted through pressure upon those governments. The effective lobbying leading up to the NAFTA agreement and the WTO meeting in Seattle was executed through state channels. In addition, the Rio and Kyoto summits were fundamentally intergovernmental in nature. Indeed, most or all of the environmental NGOs' successes so far have come through work with states and/or international organisations, rather than outside the state and interstate systems in the multi-centric world of the market (Mol, 2000).

Yet it appears that today's NGOs are increasingly attempting to transcend the state system. Arthur Mol notes that many environmental NGOs are now trying to be "an independent 'third' force", making alternating strategic alliances with state and market parties" (2000: 50). Indeed, NGOs may sometimes share common interests with market actors; insurance companies and environmental organisations, for example, are united in their concern about global warming, and thus both support climate change conventions (Newell and Paterson, 1998: 696). As well, many corporations, by agreeing to become 'environmentally friendly', receive a public boost in the form of the approval of NGOs. The World Wildlife Fund, for instance, allows such producers to display its distinctive panda logo. Janelle Diller confirms that "evidence that good corporate behaviour may enhance financial performance has tended to reinforce the moral imperatives for firms to act as 'good citizens'" (1999, par. 5).

However, transnational financial markets form a less straightforward target for NGOs. Unlike states or corporations, where particular authoritative actors may be lobbied, whether directly or indirectly, to take authoritative decisions, financial markets are in principle nonhierarchical institutions. These markets consist of a large number of buyers and sellers who are theoretically of equal status, and able to make transactions independently. Since each market actor makes transactions based on individual self-interest, there is no obvious 'general interest' to which to appeal. Admittedly, markets can be regulated by states, but investors can also move from state to state to evade and/or undermine regulations. The behaviour of financial markets may have political implications, but in theory, for campaigners trying to alter this behaviour, it is difficult to see where to begin exerting influence.



In practice, however, transnational financial markets may not be such egalitarian institutions. Instead, it seems that there has been a "centralization of investment decision making in the hands of a small number of financial actors" (Harmes, 1998: 99). Institutional investors, such as mutual funds, pension funds and insurance corporations, often control such large amounts of capital that they effectively constitute the global financial market by themselves. They now trade most bonds and equities (Economist, 1999b: 125), and so, in the words of the IMF, "the effective investor base is changing from a very large number of small investors to a very small number of large investors" (IMF, 1995, quoted in Harmes, 1998: 101). Individual investors often cede their investment decisions to institutions; in the United States, for example, more than 40% of household assets are managed by institutional investors (Economist, 1999a: 150).

Campaigning NGOs, increasingly understanding the importance of institutional investors in the international economy, are beginning to pursue these influential actors. Furthermore, NGOs have a strong source of leverage over the largest institutions. Since so many individuals now use investment vehicles such as mutual funds, institutional investors are more and more in the public eye, and now value the 'cleanliness' of their brand names as much as do large producers. This means that for NGOs, the "major financial institutions are readymade targets". Boasting powerful brand names that they don't want sullied, they can be quite sensitive to pressure" (Gopinath, 2000: par. 5).

Most NGO pressure on institutional investors to date has focused on the corporations in which they invest, often by urging institutions not to channel money to 'bad' companies. For example, under pressure in 1997 from NGOs angry about an exploitative mining investment, ABN Amro Bank announced that it would only invest in mines which conformed to environmental and social guidelines. As well, institutional investors were urged to stay away from the PetroChina initial public offering, which then raised less money than expected. Most audaciously, the NGO Global Exchange is attempting to undermine the World Bank's authority by asking institutional investors to stop buying its AAA bonds (Gopinath, 2000).

NGOs have also been attempting to exploit institutional investors' power as large shareholders so as to change corporate behaviour. These campaigns have resulted in institutional investors sponsoring social resolutions in shareholder meetings, urging companies to improve environmental, human rights or labour standards. Diller confirms that "the most important sponsors of labour-related resolutions are indeed institutional investors, including insurance companies, pension funds, church funds, union funds, local authority funds and also fund managers" (1999: par. 19).



Some investment funds have even been designed as 'socially responsible funds', explicitly formed either to avoid investment in unethical companies or to take shareholder action. The shareholder-action funds sometimes work in tandem with NGOs to change corporate behaviour, and in the UK, control more than one billion pounds in assets in various institutions (Lewis and Mackenzie, 2000: 217). Funds that invest only in ethical companies are generally less profitable investments than the market norm, but they attract investors nonetheless, presenting people with reasons to choose a fund other than simple economic self-interest. Indeed, it has been demonstrated that investors with pro-environmental attitudes are willing to sustain small losses to invest in environmentally sound corporations (Mackenzie and Lewis, 1999: 439).

If NGO campaigns continue to be successful, and the increasing 'good behaviour' of institutional investors and ethical funds trickles down through the financial markets, it is possible that the environmental and social norms that these movements have helped to entrench in much of Western society and politics may also be entrenched in the marketplace. For example, the institutional investor Friends Provident has adopted a philosophy of social responsibility for its fifteen billion pounds in assets, even claiming that "good corporate practice on human rights, child labour and environmental pollution is good for society, but it's also good for shareholders" (Financial Times, 25). As well, new UK government regulations are to force institutional investors to "state the extent to which social, environmental and ethical considerations are taken into account in their investment policy" (Financial Times, 25), giving NGOs a further weapon with which to pressure funds to invest ethically. With ethical investment potentially on its way to becoming a financial market norm, then perhaps in the future, states and corporations will not only have to implement financial orthodoxy so as to attract large-scale investment, but assure their 'environmental orthodoxy' and 'human rights orthodoxy' as well.

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