



The political power of the pharmaceutical Industry in the policy making arena of the European Union

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European Union's external strategy as Neo-colonial policy to maintain the Capitalist system

The power of the pharmaceutical industry on the development of the Intellectual Property Rights in the framework of the European Neighbourhood Strategy towards Egypt

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I Summary

The past decades have shown growing political activity of transnational corporations (TNCs) and a change in governance from national institutions towards supranational institutions. The current study focuses on the kind of political activities of TNCs and their impact on policy making. The study focuses on whether the TNCs have become the main political actor which shape and create national and foreign policy, or whether the power lies in the hands of the supranational institutions. Besides, the study focuses on the impact and necessity of global liberal economic policy in order to sustain Europe's economic growth and to maintain the capitalist system.

Therefore the study investigates the relation between political and economic actors in the policy making arena of the European Union. The empirical part of my thesis will be based on investigating the external strategy of the European Union, and the role of the European transnational corporations in the development of this external strategy.

Specifically, I will look at the Intellectual Property rights within the European Neighbourhood strategy towards Egypt and the power of the corporate political action of the Pharmaceutical Industry towards the European Commission to influence the development of this external policy.

The pharmaceutical market in Egypt is examined in order to give an overview of the different pharmaceutical corporations operating in Egypt, their market share and their origin. This market research showed a huge European dominance on the pharmaceutical market in Egypt. The three pharmaceutical corporations GlaxoSmithKline, Novartis and Sanofi-Aventis together possess an estimated 34 % of the pharmaceutical market in Egypt.

The study focuses on the three dominant European pharmaceutical corporations in Egypt and looks at the fact whether these three pharmaceutical corporations use political strategies to influence the policy making process of the European Commission in order to shape a beneficial external European strategy towards Egypt.

To investigate this, the framework of Hillman and Hitt (1999) is used in order to determine the political strategies of the three pharmaceutical corporations; GlaxoSmithKline, Novartis and Sanofi-Aventis. The framework consists out of three levels, Approaches to Corporate Political Action (CPA), Participation level CPA and Strategy of CPA. The variables of the framework of Hillman and Hitt (1999) point out that GlaxoSmithKline, Novartis and Sanofi-Aventis all use the relational approach to CPA, which indicates a long-term issue spanning relationship with the European Commission. The level of participation of the three pharmaceutical corporations is determined as collective due to the policy the CPA is aimed

at; general policy in the framework of the European Neighbourhood Policy. This indicates a focus on collective participation due to the overarching policy principles. The representation of the collective action of the pharmaceutical corporations is done by the European Federation of Pharmaceuticals Industries Associations (EFPIA). This leads to the investigation of the corporate political action of the EFPIA towards the European Commission, in order to determine their influence on shaping the European policy beneficial for the pharmaceutical corporations.

The third level of CPA according the framework of Hillman and Hitt (1999) focuses on the Strategy of CPA, and due to the collective participation level of the pharmaceutical corporations, the CPA strategy of the EFPIA is examined. According to Hillman and Hitt (1999) there are three main strategy types: information, financial incentive and constituency building, which all contain several tactics which are used to influence public policy.

According the framework of Hillman and Hitt (1999) the EFPIA uses the information strategy. The study of the lobby activities and policy documents of the EFPIA support the claim that the EFPIA uses the information strategy to lobby towards the European Union. The EFPIA participates in a number of close cooperation's with the European Commission, these cooperation's can be divided into three groups, private-public partnership (PPP) between the EC and the Pharmaceutical Industry, the establishment of exclusive high level forum, for example the High Level Group on Innovation and Provision of Medicines (HLGIPM) and the High Level Pharmaceutical Forum (HLPF). The third group consists of the EFPIA consulted as experts; for example the policy recommendations from the EFPIA to the EC.

The political strategy of the pharmaceutical industry is determined in order to examine the impact of the political strategy of the three pharmaceutical corporations on the policy making of the European Commission and specifically on the policy making of the External strategy towards Egypt.

Literature has shown that measuring impact and influence has always been very problematic, therefore P. Bouwen has developed a framework that measures access, because access is a prerequisite for influence. His framework points out that European Associations such as the EFPIA have the highest degree of access towards the European Commission, because the European Associations possess the access good *Information Encompassing European Interests* which the European Commission needs for policy making, this interdependency on access and crucial market information enables the European Associations to gain a high degree of Access. The study of lobby activities of the EFPIA also shows a high degree of access of the EFPIA towards the European Commission.

However I conclude that Information is not the only good the European Commission needs from transnational corporations, the *Lisbon strategy for growth and jobs* clearly shows another dependency. The European Commission is dependent on their TNC for economic growth and jobs and Europe needs to compete with emerging markets for TNC not to move out of Europe.

When looking at the lobby activities of the EFPIA it can be stated that the European Pharmaceutical Corporations shaped the external policy, especially on the implementation of Intellectual Property Rights, towards Egypt by using CPA towards the European Commission. However the dependency of the European Union on the Pharmaceutical corporations as engines of economic growth and jobs and the dependency of the European Commission on the expert market information have caused a close cooperation between the European Commission and the EFPIA which indicate a strong influence on the policy making process, especially because the EFPIA has given much advice to the European Commission on policy matter concerning competition and global competitiveness. The line between these policy arena's and the European Neighbourhood Policy as an overarching framework is thin. There are many concrete examples of lobby activities, consultation or interference of the EFPIA on the shaping of the European Neighbourhood Policy towards Egypt. However this could be explained by the same goals the Pharmaceutical Industry and the European Union have concerning the external strategy; the development of a strategy that constitutes European economic growth and more jobs for European citizens. The corporations have the power because they are the engines of economic growth and due to their ability to move to emerging markets when market become too regulated and when labour and resources are cheaper elsewhere. In order to keep the TNC and to stay competitive in the global market the European Union needs to adopt favourable policy.

II Acknowledgements

Since I have started the process of writing my master's thesis in September 2008 the original idea was to conduct a field study and to take off to far and exotic countries in South-America; Argentina, Chilli, just as that Congo has been in the picture. Unfortunately these plans could not go through due to time and financial limitations and the possibility to go on studying in the United Kingdom in September 2009.

From the beginning on I knew my interests laid in the field of International Political Economy and International Politics, therefore I decided to search for an internship in these subject areas. In January 2009 I started an internship at the Human rights organisation *Aim for human rights*, where I worked on the Human Rights and Business department. Here the first ideas for the current master thesis were developed.

During this internship I heard about a project that was conducted by *Aim for human rights* two years ago. The project was aimed at the development of a tool to measure the impact of the European Neighbourhood Policy on the right to health in Egypt. However due to a problematic relationship with Egyptian NGOs the project was cancelled before the tool was finished. Although I did not work on this project I became interested in the European Neighbourhood Policy in Egypt. Much information and contacts were available which I could freely use, which enabled me to start orienting on a possible master thesis subject.

While reading the many working documents and policy documents of the project I realised that the documents were just a facade of nice words and moral promises, while concrete development was almost absent. Here my curiosity about the politics behind the European Neighbourhood Policy developed.

The problematic relationship between the Egyptian NGOs and *Aim for human rights* also gave me doubts about the European Neighbourhood Policy, therefore I contacted the Egyptian NGOs in order to find out more about their motives and arguments. They explained me why the cooperation went wrong.

In a nut shell; they stated that the European Neighbourhood Policy was developed to serve Europe's business interests, to strengthen Europe's position on the region and the world and to enhance Europe's level of security. The European Neighbourhood Policy was just a cover for the implementation of neoliberal policy and liberal trade agreements which only benefits Europe and the United States, for example they stated that the implementation of the Intellectual Property Rights in the European Neighbourhood Strategy only served the business interests of the Pharmaceutical Industry.

The conversations with Egyptian professionals ascended my curiosity about the interests and power relations behind the European Neighbourhood Policy, which finally lead to the current master thesis.

But I could not have done this without the help of many people and institutions. First of all I would like to thank *Aim for human rights*, as intern I got the change to conduct and use much inside information and due to their generosity to let me make use of their contacts database I got the possibility to speak with policy makers, representatives and experts. Thanks to them I received essential information which was not publicly available at that time.

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Hanne van Beek

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III Abbreviations

| | |
|---------|--|
| AA | Association Agreement |
| AIMS | Access, Innovation, Mobilization and Security |
| AP | Action Plan (ENP) |
| CPA | Corporate Political Action |
| CPMP | Committee for Proprietary Medicinal Products |
| EC | European Commission |
| EFPIA | European Federation of Pharmaceuticals Industries Associations |
| EIDHR | European Initiative for Democracy and Human Rights |
| EK | Expert Knowledge |
| EMA | European Medicine Agency |
| ENP | European Neighbourhood Policy |
| ENPI | European Neighbourhood and Partnership Instrument |
| EP | European Parliament |
| EU | European Union |
| EuroMed | European Mediterranean Partnership |
| G10 | High Level Group on Innovation and Provision of Medicines |
| HLGIPM | High Level Group on Innovation and Provision of Medicines |
| HLPF | High Level Pharmaceutical Forum |
| IDEI | Information about the Domestic Encompassing Interest |
| IEEI | Information about the European Encompassing Interest |
| IMI | Innovative Medicines Initiative |
| IPR | Intellectual Property Rights |
| MEDA | EuroMed financial instrument |
| PPP | Private-Public Partnership |
| TACIS | Eastern European financial instrument |
| TNC | Transnational Corporation |
| TOPRA | The Organisation for Professional Regulatory Affairs |
| TRIPS | Agreement on Trade Related Aspects of Intellectual Property Rights |
| WTO | World Trade Organisation |

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Chapter 1 Conceptual framework

1.1 Developments of the Capitalist state and the need for expansion

According to Marx (1848), the modern bourgeoisie society (in the mid 19th century) originated from the ruins of a feudal society, but it has not done away with class differences, instead it has developed new classes, new conditions of oppression and new forms of struggle in place of the old ones. According to him the society was more and more splitting up into two different camps, two different classes revolved in a hostile struggle, the Bourgeoisie and the Proletariat. (Marx & Engels, 1848)

With the discovery of America the status and wealth of the Bourgeoisie rose. The colonisation of America, trade with Chinese and East-Indian gave a huge impulse to the exchange of means and commodities, to commerce, navigation and industry. The feudal system of industry, where production was monopolised by closed guilds, now could no longer adapt to the growing needs of the new society, a society of ever growing markets and ever growing demands. The steam and machinery revolutionized industrial production and the guild-masters were pushed aside by the giant Modern Industry, lead by the modern Bourgeoisie.

The Modern Industry has established the world market, of which the discovery of the New World paved the way. The world market gave an enormous impulse to commerce, navigations and communication and enabled the bourgeoisie to extend their sphere of influence and capital to push into the background every class handed down from the Middle Ages. The division of the society into the Bourgeoisie and the Proletariat has been the product of a development in the modes of productions, capital and exchange. According to Marx the Bourgeoisie cannot exist without constantly revolutionising the instruments of production, the relations of production and with them all the relations in society. The constant expanding market for its products caused a need and desire to spread out all over the world and caused a disturbance of all social conditions and certainties.

“All fixed fast frozen relations, with their train of ancient and venerable prejudiced and opinions, are swept away, all new-formed ones become antiquated before they can ossify. All that is solid melts into air. All that is holy is profaned and man is at last compelled to face with the sober sense, his real conditions of life, and his relations with his kind.” (Marx & Engels, 1848)

Through the exploitation of far countries and the need to establish connexions everywhere, the Bourgeoisie had given a cosmopolitan character to production and consumption. (Marx & Engels, 1848)

Although there are many different Marxist theories, they all come down to four essential elements. The first element is that Marxists believe that there is no inherent social harmony or return to equilibrium as liberals believe. Social disequilibria and consequent change are due to the class struggle and working out of contradictions in social and political relations. The second element concerns the materialistic approach to history. Marxists believe that the development of productive forces and economic activities is central to historical change and operates through the class struggle over the distribution of social product. The third concerns a general view of capitalist's development. According to Marxists the capitalistic mode of production and its destiny are governed by a set of "economic laws of motion of modern society". The fourth is based on a normative commitment to Socialism, Marxists believe that a socialist society is both necessary and desirable end of historical development. (Heilbroner, 1980, pp 20-21)

My thesis will have a special focus on the third element of Marxism; a capitalist society is driven by a never ending need for more, increasing profits and capital accumulation in a competitive market economy.

According to Marx the origin and evolution of the capitalist society and mode of production are based on three economic laws;

1 The law of disproportionality; The denial that supply creates its own demand so that supply and demand will always be in balance. According to capitalists and liberalists does the economy maintain its own equilibrating process that makes overproduction impossible. Marx, just as John Mayard Keynes, both denied that this equilibrium existed and that it is an inherent part of a true capitalist society that supply will overshadow demand because there is a contradiction between its capacity to produce goods and the capacity of consumers to purchase the goods which causes periodic depressions and economic fluctuations.

2 The second law was based on the development of a capitalistic system and was called the law of accumulation of capital. The force behind the capitalistic system was the drive for profits and the consequent necessity for the capitalist to accumulate and invest. As a result, according to Marx and Engels, it is a development towards increasing concentrations of wealth among an efficient few and a growing impoverishment of many.

3 The third economic law of a capitalist society is about the falling rate of profit. As capital accumulates and becomes more abundant, the rate of return declines which causes a

decreasing incentive to invest. Liberal economists have recognized this development but they believe that solution can be found through export of capital, trade of manufactured goods and the import of cheap communities. (Gilpin, 1987)

The core of Marxist critique is based on the irrationality of the capitalistic system. The competitive market necessitates that capital must be always be accumulated which leads to the overproduction of goods, called surplus capital. According to Marx this surplus capital and the growing gap between the haves and the have not's would in the end sow the seed of its own destruction. (Marx, 1848)

But during the twentieth century, when the capitalistic system was still vivid, many of Marx followers were concerned about the lasting continuing of the capitalistic system. Especially the strength of nationalism and the strength of the global capitalistic system led to many theoretical adaptations in Marxism. Like Liberalism and Nationalism, Marxism has therefore evolved in significant ways since its basic ideas were set forth by Karl Marx and Friedrich Engels, and has been subject to constant shaping to adapt it to modern times. The Soviet Union and China, having Marxism adopted as their official ideology, have reshaped it to serve national interests.

Lenin's work called Imperialism (1939) converted Marxist theory of the market economy into a theory of global political dependency among capitalistic states. In this theory he tried to explain why the revolt against the bourgeoisie has not happened and why the impoverishment the Proletariat did not happen the way Marx predicted. Instead wages were rising even as the quality of life. According to Lenin, the capitalist society has experienced a big transformation from inequality essentially being based on national relations to a global inequality due to the truly global market economy. The problem had shifted from being mainly national / Western Europe, to a huge global problem where the battle between the Proletarians and the Bourgeoisie was now fought between nations. Capitalism has become a vibrant, open and technological global system. The development in the beginning of the twentieth century, like foreign investment, international finance had profoundly changed the market economy. Capitalist economies were now dominated by immense industrial mergers that again worked closely with great banking houses. (Gilpin, 1987)

According to Lenin (1939) Capitalism has escaped the three economic laws of a capitalist society by Marx through overseas imperialism. Imperialism has enables the capitalist societies to find to place to deposit their unconsumed goods and it enables the acquirement of new resources and cheap labour. As well as that the colonies provided new economic incentives to expand and invest. Colonial imperialism became necessary feature of the new Capitalism and meant its survival. With this shift to global scale and the new economical

opportunities the Bourgeoisie could buy of their own authority in Western Europe. The essence of Lenin's argument is based on the argument that Capitalism does develop the word, but it does not develop it evenly, the capitalist world economy was in inherently unstable.

Lenin (1939) added a fourth economic law of Capitalism to the original three laws of Marxism. The new law was about when a capitalist (1) economy matures, when (2) capital accumulates and (3) the profit rates fall, capitalist economies need to seize colonies and create dependency to serve the market economy. Marx has divined the inequality between classes as the main source of conflict, Lenin, as many other scholars, added a more political oriented critique of capitalism in which the principle actors were capitalist nation-states driven over the globe because of economic necessity. Many other scholars also believed that there had been a shift from class struggle towards the struggle between economical unequal nation-states.

1.2 Imperialism and colonial policy

Rosa Luxemburg (1972) pointed out that there is an element missing in the theory of Marx. She did not believe that the chronic overproduction of a capitalist society could simply not be consumed by the national population or invested in the country. According to her there was an element missing. Accumulation in a capitalist society can be achieved by seeking the unexploited social relations within the capitalist state, for example women or low layers of society, or by entering into non-capitalist economies for new markets, resources, goods and labour. She states that the capitalist form of production is governed by the profit motive. Production in a capitalist society only makes sense when the capitalist receives surplus capital / pure income. Profit that remains after all investment is paid back, but a capitalist society does not only want profit, but constantly growing profit. This is where a capitalist state differs from every other economic system that is based on exploitation. She states that capitalists use the fruits of exploitation not merely for personal luxury but more to increase exploitation itself because the largest part of the profits is put back and used for expansion and investment, this means that capital mounts up, accumulates. This surplus has to go somewhere, to be invested in something, to be consumed by somebody, and it cannot be consumed solely by the capitalists themselves. This because when the capitalists would extend their own consumption and when they would consume the surplus of their production there would be no accumulation. (Luxemburg, 1972)

Here is where Rosa Luxemburg's main critique on Marx starts, according to her;

"you can twist and turn it as you wish, but so long as we retain the assumption that there are no other classes but capitalists and workers, then there is no way that the capitalists as a class can get rid of the surplus goods in order to change the surplus value into money and thus accumulate capital." (Luxemburg, 1972)

So according to her there must be an exchange relation between capitalists production and the non-capitalist milieu, where they do not only find the possibility to change surplus value into hard cash, where they find new resources to exploit and where they find new labour by disintegrating non-capitalist forms of production.

This 'exchange' relationship begins with the subjugation and destruction of many traditional non-Capitalist societies, where Europe opens the doors for large scale commodity and resource trade towards European countries. This to enhance production from Europe towards the colonies to convert non-capitalist markets into consumers of surplus value in order to find new opportunities to accumulate surplus value. This typical external behaviour of a capitalist state can be called imperialism, a competition between capitalist states to win colonies with new markets, resources and investment opportunities. According to Rosa Luxemburg (1972) there is no doubt that the explanation of the economic roots of imperialism must be deduced from the laws of capital accumulation.

In the last centuries the main capitalist states employed their power to develop an open world economy, to introduce free trade of goods and capital. They created their liberal International law to protect their investments and flows of capital which enabled them to enhance their possibilities to accumulate capital.

The more Capitalists states participate in the search for new non-capitalist areas, the tougher the competition gets. Rosa Luxemburg (1972) believes that this competition ultimately led and leads to world crises, wars and revolution. I believe that this concept somewhat has shifted over the past decades, and that it cannot be said that the open space for capitalists structures become more and more scarce but that the capitalist system has adopted itself, again, to a new world situation.

David Harvey (1989) brings space explicitly into the theory of capital accumulation. Geographical expansion in the form of colonial imperialism, and geographical concentration in the form of urbanisation, are considered both as the product of the capitalist society and the never ending devotion for expansion and accumulation. He states that the goal to

accumulate produces an incentive to concentrate production while in the mean time it has a necessity to expand its network in order to be able to grow. (Harvey, 1989)

This means that the dynamic process of expansion and clustering of Capitalism changes the landscape by establishing new centres of production, welfare and capital while old nodes fall into decay. This is exactly where the theory of Harvey differs from Luxemburg's theory, she stated that it is the nature of capitalism to incorporate non-capitalist areas and that the open space for capital accumulation becomes more and more scarce. Harvey (1989) however, believes that the nature of capitalism is a dynamic process of developing new profitable areas while pushing others back into decay, this means that there will always be open space for capital accumulation, which also explains the continuation of the capitalist system.

Previous rounds of investments become obstacles when new markets are created for more productive investment, lower wages and new resources, existing nodes of accumulation lose their strength and are left behind, in order to become non-capitalist systems again waiting to be colonized in the future. According to Harvey (1989) the capitalist mode of production is an uneven development which enables the capitalist system to always find new markets and resources, it is an unequal exchange between the metropolis and underdeveloped countries which can be seen as a dialectic relationship. The core countries keep the countries weak in order to maintain their central position in power, capital and knowledge in order to maintain their capitalist system.

The Guyanese historian Walter Rodney agrees, he states that; "the only things that colonizers developed were dependency and underdevelopment." Under imperial rule economies were structured to be permanently dependent on Western nations and many critics doubt the fact whether this economic dependency has ever ended. (Rodney, 1981)

This theory of capitalist imperialism and uneven development has been modified by changes in the nature of the capitalist system. Welfare states have carried out many developments that early Marxists could never have imagined. Critics, nowadays, believe that the state policy must be seen as an instrument for further capital accumulation by transnational companies, and that neo-colonial policy has been created to maintain the capitalist society. Since the early theory of Marx essentially nothing has changed, the capitalist system adapted itself to new global developments but its core stayed the same, exploitation in order to grow and expand financially and geographically. (Gilpin, 1987)

Campbell (1975) supports this, she states that imperialism has never ended, although nation-states became independent from other nation-states, the imperial power simply shifted towards another actor, towards international institutions, which are ironically governed by former colonizers. These organisations have not left the country after the last

wave of decolonisation, due to international law, treaties and international institutions protecting them. Campbell (1975) investigated the textile production in Ivory Coast during and after the country's colonization by the French nation state. She states that the French colonial policy was adapted to the capitalistic needs of a more extensive form of exploitation by introducing protective legislation for their investments and the introduction of extremely low export prices for raw materials and the development of very high tariff barriers for goods imported from the metropolis. According to Campbell there was a very limited transfer of political power after the establishment of the independent Ivory Coast nation-state, this cannot be understood without the analysis of the distribution of economic power after decolonisation. New leadership, after independence, was entrusted to an economic elite within the highest society of Ivory Coast, which continued to have close relationships with the French business class, this, according to Campbell, also explains why the country has been so willing to sign liberal international treaties and to agree with the internal policy changes obliged by Western International Institutions. This is why political independence cannot be separated from economical independence and Capitalists developments. Therefore Campbell states there is a need for the redefinition of imperial policy. (Campbell, 1975)

Tunde Obadina, a famous African political economist, speaks in his article; *"The myth of Neo-colonialism"* about "false independence". He believes that real freedom also comes with economic independence. African economies are still designed to be permanently dependent on Western nations, they are consigned the role of producer of primary products for processing in the west. Means of production are owned by foreign corporations who transfer surplus, goods and capital, out of the country rather than to invest it in the local economy. According to Tunde Obadina the African countries could have nationalised the foreign corporations, but they did not because it was not in the interest of the African elite. He states that the most significant change the colonizers brought to the colonies was the integration into the global capitalist economy which kept them in the capitalist market and sustained imperialism. It enabled the African elite to consume the products of western civilisation, without having to build long-term industries themselves. For the elite it was far easier to shop at the global market. The top elites of the African societies bloomed because of colonialism while the far majority of the people remained very poor, and while to have tasted the western level of wealth the elites became believers in the capitalist global economy. Imperial powers no longer needed to subordinate the colonies. After independence the new African elite handled their business and directed the resources and capital directly towards the west, maintained beneficial policy and tolerated the foreign corporations to go on with their business practices. (Obadina, 2000)

According to Weaver (1997) the strength of the global market is its attractiveness to men and women who already have the means to participate in the global market, because it offers the means to realise all the material dreams.

The market is an allure, an open sesame that requires strong ideological or moral commitment to resist. (Weaver, 1997)

1.3 A new form of governance beyond the nation state

Colonialism has empowered the elites of the colonies, integrated them into the global economy and made them dependent of western products. This dependency made the economic dependency on the west last, and as Campbell stated; *" the creation of an independent nation state no way altered the economic exploitation and unequal trade relations of the country and the entire process of production and distribution remained almost exclusively under the monopolistic control of the colony".*

After colonialism most of the transnational corporations could just go on with their business, this enabled the Western nations to maintain their wealth and dominance in the global economy. (Campbell, 1975)

Some scholars argue that this trend, stirred by expanding globalisation and the integration of the world economy, developed a new form of governance. A form of governance where the nation-state became less important and where non-political actors obtained political power. Matthew Sparke, in his article *Cascadia and the Geo-economics of Cross-border Regionalisation*, speaks about changes in governance in the past decades. There has been a rising dominance of state like regulative arenas that transcend traditional state lines, like NAFTA and the EU, and the transference of central state authority to below, towards local governments. He argues that this hollowing out of the nation-state and its central authority constructed the private / public level-playing field where governance is now negotiated, like the World Trade Organisation, private think tanks, business clubs, influential lobby organisations and transnational institutions like the EU and UN.

He states that geo-economics; *"the need to improve positionality, networking, and nodality in a borderless world"*, is incorporated into governance. His Geo-economics represents a new hegemonic mode of imagining space in the competition over positionality. He argues that the struggle of power, nowadays, about the positionality in the global economy has triggered the rise of the region-state and explains the development of institutions like the European Union

and the World Trade Organisation. (Sparke, in Perkmann, Markus and Ngai-Ling Som, 2002, p. 212-238)

Jessop (1990) agrees and describes two major trends in the change of governance;

1 On the one hand there is a tendency of denationalization of the state system through the movement of state power upwards, downwards and side wards as attempts are made by state-managers to gain operational autonomy and thereby enhance the state's own strategic position in the global economy.

2 On the other hand, there is a de-statization of politics as political capacities are seen to depend on the effective coordination of interdependent forces within and beyond the state. Examples of these forces are industrial clusters, such as TNCs and industrial districts such as cross-border regions. (Jessop, 1990)

This tendency of denationalization originated out of the through that global regional cooperation is necessary in order to compete globally and it is in the nature of a capitalist market to do so. Matthew Sparke argues that part of the natural cooperation to become stronger is rooted in a geo-economic version of social Darwinism. According to him is the global economy a harsh wilderness, and by hanging together it can beat off competitors and win a large slice of planetary resources. This larger social-Darwinist geo-economics supports the main rhetoric's of entrepreneurial governance; *cooperating regionally to compete globally*. He states that institutions as the European Union are developed in order to become or stay globally competitive.

The new form of international relations Geo-economics largely speaks the neoliberal language by eliminating redundancy, increasing cost efficiency, regulatory harmonisation among partners and increasing important public/private partnerships. The regional cluster presents itself as the perfect place from which to build hi-tech industry that will enable the new masters of the hi-tech universe to thrive. (Sparke, in Perkmann, Markus and Ngai-Ling Som, 2002, p. 212-238)

An example of this clustering on transnational scale to remain competitive in the global economy is the European Union, but whether this also implies that transnational institutions as the EU are or become future masters of the Universe, as Sparke argues, is questionable.

I believe that there is another non-state actor which plays an important role in the global political arena; the transnational corporation. Activities of TNCs have affected patterns of regional integration, for example it is generally known that TNCs have actively guided, encouraged and facilitated the establishment of the European Economic Community as a regional system. This regional cooperation has not only been very beneficial for them but it

also created the overall liberal framework in which they could widely extend their business practices.

1.4 The rise and shine of the transnational corporations

I believe that the past decades the political power of the TNCs have grown enormously and their influence is nowadays felt everywhere in the international system, because they operate independently in international relations, they do not need the support from their voters, which enables them to behave like political actors and to pose their influence on state actors to push for certain policy. (Bock & Fuccillo, 1975)

According to Young, Hood & Peters (1994) TNCs play the most influential role in international politics, while other non-state actors as intergovernmental organisations, voluntary associations and other social movements all became more internationally focussed, transnational corporations are significantly better in using resources and information to represent own interests and to push for certain policy.

TNCs have experienced an enormous growth in number and in size over the past 40 years and this have not been unnoticed among scholars. One of the earliest scholars writing about the impact of the TNCs has been Servan-Schreiber, who has written the following in his study;

“Fifteen years from now the world’s third greatest industrial power, just after the US and Russia, may not be Europe, but the American industrial corporations” (Servan-Schreiber, 1968)

According to Bock & Fucillo (1975) this will go even further, they state that within a few decades the whole global economy, and all economic life on this planet, will be dominated by a number of gigantic transnational corporations, which have not been democratically chosen to possess such a power, nor will there be a functioning supervision board that controls business practices. World’s industrial facilities will be grouped into transnational corporate empires.

After the Second World War these powerful private entities saw a drastic increase and currently there are an estimated 60.000 TNCs with over 820.000 affiliates operating in the world economy and the world’s largest TNCs account for approximately four/fifth of worlds industrial output. At the same time merchandise exports multiplied by 8,5 times from 1973 till 1995 and about an estimated one third of world trade today consists of intra-firm trade

between TNCs, another one third consists of export from TNCs to non-affiliates. (Gilpin, 2000)

The increasing central positions of TNCs have altered the functioning of the international political system. These corporations and their political strategies have played an increasing role in the international decision making process and their corporate lobby towards state actors have increased tremendously over the past decades, this indicates an increasing political power of TNCs, because they control a considerable quantity of worlds capital, technology, information, resources and access to global markets. This implies a key role not only as an international economic actor but also as an international political actor.

The rapid empowerment of the TNCs can be explained by a number of international liberal policy changes implemented by Western governments and international institutions. Dunning & Mucchiellie (2002) give the following factors which have been very positive for TNCs;

- 1 extensive deregulations and liberalisations of markets
- 2 increasing protection of intellectual property rights
- 3 increasing globalisation of economic activity together with increasing integration of international production due to the increase in scale of TNCs
- 4 increased international mobility contributing to economic growth such as telecommunications, technology and organisational competence, within TNCs.
- 5 worldwide competitions for the scarce international resources have pushed TNCs become politically very active.
- 6 a convergence between the mayor industrialised countries enables TNCs to gain more political power due to increase in scale and less democratic dependency of International institutions.

The link between politics and business has been studied the past decades and around 1970 the first critical sounds came up. Hymer (1970) argued that TNCs should be seen as an instrument by which western law politics and foreign policy are enforced on dependent nations and according to Baran and Sweezy, (1971); "*The large businesses are just another expression of neo-colonial expansion.*" The transnational company cannot be seen as another political actor, because the interests of the firm are identical to the country. This intimate relationship between governmental and corporate interests has developed because of the same economic and political goal; the maintenance of the capitalist system.

Bock & Fuccillo (1975) state, that the simple conclusion that the firm is the extension of its government cannot be supported. They state that there is substantial evidence that TNCs increasingly have contravened foreign policy interests of own government, over their own business interests. This pursuing of own agenda can partly be explained by the increasing

centralization of finances, research and policy making within these TNCs and the ongoing increase in scale, large mergers and the neoliberal policy which have enabled the TNC to gain power, grow bigger and accumulate its capital. These developments have made them independent political actors with their own interests.

Some scholars even state that the TNC has become even more powerful than the nation-state and the international institutions, and that their first responsibility was to their shareholders and employees. In the study Bock & Fucillo (1975) they speak about the role of nation states to protect foreign investment and to create policy in which the TNC can do whatever is necessary to compete effectively and profitably. It often appears that TNCs, instead of subordinating their interests to official policy actually shape that policy. For example oil companies in the US; *"the State department has often taken its policies right out of the executive suites of oil companies"*. They state that it is not unthinkable that in the near future the TNC will become the main determinant of shape and direction of national and foreign policy. (Bock & Fucillo, 1975)

"Motivated by a desire for sales and profit opportunities, the transnational corporation has become the principal spearhead of the movement to open up the world. Seeking to rationalize the world economy in the most efficient manner possible free of political constraints and drawing upon its resources as an increasingly independent actor, the transnational corporation seems intent on convincing state-actors to make the appropriate changes in its foreign economic policy, export and trade regulations". (Bock & Fucillo, 1975)

I definitely believe that transnational corporations must be seen as political and not just only as economic actors in international politics and economic policy. These fundamental changes in the global economy have drawn attention to the need to investigate the relationship between politics and economics and nation states and TNCs. There is a need for more understanding of the relationship between economic and political independence on global level. Understanding of the political dimensions of corporate practices will be very important as the interaction between economics and politics will play a major role in shaping the future political and economic policy and world order.

Therefore this study focuses on the political power of the transnational corporations to influence the decision making process of the supranational institution the European Union.

Chapter 2 Empirical focus of thesis research

2.1 Central goal

The theory indicates a growing political power of transnational corporations and a change in governance towards multinational institutions. This made me wonder whether it is true that TNCs have become the main political actors which shape and create national and foreign policy or that policy making shifted towards multinational institutions, and whether this policy is created in order to fulfil the economic needs to expand and accumulate, the maintenance of the capitalist system.

Therefore the study investigates the relation between political and economic actors in the policy making arena of the European Union. The empirical part of my thesis will be based on investigating the external strategy of the European Union, and the role of the European transnational corporations in the development of this external strategy.

I will look at the Intellectual Property rights within the European Neighbourhood strategy towards Egypt and the power of the corporate political action of the Pharmaceutical Industry towards the European Commission to influence the development of this external policy towards Egypt.

Specifically, the study will focus on;

- the European neighbourhood strategy towards Egypt and the intellectual property rights within this framework;
- the pharmaceutical market in Egypt and the dominance of the European pharmaceutical corporations;
- the political activities of these dominant European pharmaceutical corporations towards the European Commission and their focus on Intellectual Property Rights;
- the impact of the political activities on the creation and development of the external strategy of the European Union towards Egypt.

By looking at this I aim to expose the relations between former colonial economic policy and the needs of a capitalistic system for growth and expansion on the one side and present day external policy of the European Union, the political power of transnational corporations and the ongoing capitalistic needs for growth and expansion on the other side.

2.2 Rationalization of central goal

Country for case study

Egypt has been selected for the study, because Egypt is actively involved in the European Neighbourhood Policy and it has been a former colony of the French and British Empire.

Besides, compared to the other Mediterranean countries involved in the European Neighbourhood Strategy, most official document of the European Union are in the English language, even as that the level of English is rather high among the civil society which makes information easier accessible.

The pharmaceutical industry

The Pharmaceutical industry has been chosen for this study because an introductory market research indicated a huge European dominance on the pharmaceutical market in Egypt. This triggered my curiosity to investigate whether this dominance can be linked to the European Neighbourhood Strategy and the nature of the European economic market; a capitalist system which indicates a need for expansion.

The Intellectual Property Rights

The focus on the Intellectual property rights within the framework of Europe's external strategy has been chosen because the international institutions received much criticism on the liberal character of the policy and its possible negative implication for developing countries.

European Commission

Although the European Parliament possesses some policy making legitimacy, only the political activities towards the European Commission will be examined because this remains European Union's main policy making institution.

European Neighbourhood strategy

The European Neighbourhood strategy entails all formal agreements with Egypt, the European Neighbourhood Policy and the Association Agreements under the Euro-Mediterranean Partnership. The European Neighbourhood strategy is chosen because it is Europe's main geopolitical policy domain outside its borders, which makes it an interesting field for study.

2.3 Hypothesis and research questions

In order to know more about the nature and the political power relations behind the European neighbourhood strategy towards Egypt, the relations between former colonial economic policy and the needs of a capitalistic system for growth and expansion on the one side and present day policy of the European Union, the political power of transnational corporations and the ongoing capitalistic needs for growth and expansion on the other side, the following hypothesis has been drawn up;

The European transnational pharmaceutical corporations in Egypt use political strategies towards the European Commission, in order to pressure for the implementation of policy on Intellectual Property Rights in the framework of the European Neighbourhood Strategy towards Egypt, which enables them to fulfil the capitalistic needs for growth and expansion.

In order to be able to test this hypothesis, the following research questions have been drawn up; -

- What is the European neighbourhood strategy towards Egypt and what is its key policy fields?
- What are the European transnational pharmaceutical corporations in Egypt?
- What are the political strategies of these European pharmaceutical corporations towards the European Commission?
- What policy do the political strategies of the European pharmaceutical corporations emphasize on? And why do the pharmaceutical corporations emphasize on this policy and does it enable them to fulfil their needs for growth and expansion?
- What is the impact of these political strategies on the policy making process of the European Commission?
- What are the resemblances between former imperial economic policy and present day external policy of the European Union?

The following schematic overview gives an overall impression of the power relations I want to expose with my thesis.

19th century:

Capitalist system → need for growth and expansion → colonial economic policy and imperialism

Nowadays:

Capitalist system → TNC's need for growth and expansion → Intellectual property rights in the European neighbourhood strategy → Neo-colonial policy

By investigating:

TNC → political strategies to influence EU → to adopt IPR within Neighbourhood strategy → which enables TNCs to grow and expand → in order to maintain the capitalist system

2.4 Societal and scientific relevance

The power of nation states have been a scientific object of study for many years, but what is relatively new is, as Sparke (2002) explained it, the shift to denationalization of the state through the movement of state power upwards, for example towards the European Union, and the de-statization of power towards non-state actors such as transnational corporations. Over the past years the influence of the European Union in the world has grown. This has caused growing need for in-depth academic research on the policy of the European Union. The expanding borders of the European Union have lead to a change in the existing colonial perspective on former European colonies because former colonies in North-Africa face a border with their former colonizers, this brings colonialism back into perspective and makes neo-colonialism a hot topic again. Especially with the foreign policy of the European Union, policy and reforms agenda's which operate outside European Union's border have a direct impact on former colonies. The European Neighbourhood Strategy in the light of neo-colonialism is a topic that has not been studied much and more knowledge on EU foreign policy is definitely needed in order to determine whether the EU is on the right track.

But after studying the existing theory I came to realize that not all power is in the hand of the European Union, many scholars argue that transnational corporations are increasingly dominating the policy making process of for example supranational institutions as the European Union. The powerful lobby of Transnational corporations has been studied over the past decades, but empirical investigation about the influence of TNC on the decision-making process in the European Union is still very limited, especially theory about the influence of TNC on the European neighbourhood strategy to push for beneficial policy is missing.

The pharmaceutical industry is a relevant sector for the study because health is a general and problematic topic affecting the entire population of Egypt. I believe that it is important to ensure equal health protection for all regardless of financial position and conditions. Next to this it is an essential individual human right based in the International Declaration of Human

Rights 1948 and it is prerequisite to the realisation of many other rights. The right to health is covered by international human rights treaties to which Egypt is a party, making it part of its national law according to Article 151 of the Egyptian Constitution. (UAM, 1980)

I believe that pharmaceutical companies have the moral duty to fight against these health problems, but I doubt the fact whether this is actually happening. I believe the social responsibility of many multinational pharmaceutical companies does not go further than only stating that they are socially responsible, with my research I would like to expose the nature of these transnational companies, the ever driving force for growth and profits.

The European Union is Egypt's main donor, this indicates EUs important role in the access to health services and medicine. But in Egypt there is a critical discussion on the impact of the liberal policy changes under the ENP very much alive including Intellectual property rights at the core of the European neighbourhood strategy on the access to health in Egypt.

During my internship at the human rights organisation *Aim for human rights* I came in contact with Egyptians whose primary concern was the growing power of pharmaceutical corporations and the Intellectual property protection, which in their eyes, increases the prices of essential medicines. The role European Union is also criticised heavily and many NGO's in Egypt doubt the fact whether the neighbourhood strategy will bring prosperity to Egypt because according to them it only serves Europe's business interests.

This local criticism makes my thesis even more relevant. Research on the impact of Europe's external strategy is needed to evaluate the moral and practical consequences for countries like Egypt. Next to this my research also has a more theoretical goal. By writing my thesis I will come to a better understanding and exploration of the relation between Colonialism and Capitalism and I will come to new forms of Neo-colonial policy nowadays by looking at the core nature of capitalist societies like the European Union which have pushed and will continuously push for new forms of colonialism.

Next to that with my thesis I aim to contribute to more knowledge on the political activities of transnational corporations, on the impact of these political strategies and the power relation with the European Union, specifically the European Commission and the transnational corporations.

2.5 Research methodology

The research strategy for my thesis will be based on a qualitative research design and will be based on an in-depth analysis rather than a general broad analysis. A qualitative

research design means that it can be any kind of research that produces finding except statistical procedures or other means of quantification. Quantitative researchers search for generalizations of their findings and causal relations, qualitative researcher seek in-depth information which contributes to understanding of specific situations. (Strauss and Corbin, 1990:17)

My research will be about seeking specific in-depth information on European Union's foreign policy in Egypt and European dominance on the pharmaceutical market in Egypt, to be able to do this a qualitative method suits best. The thesis will focus on a critical discourse analysis in order to view social practice and the way power relations and political domination is reproduced by text and talk. The aim of the study is to analyse the discourses in written documents, like policy documents and other statements and speech by analysing interviews and political speeches and compare it with social practices.

Desk research as a strategy will be used to develop the theoretical background and to answer the sub-questions a mix of desk-research, the study of policy documents and qualitative interviews will be used. The analysis of the data will be done in a scientific philosophical perspective and the information will be looked at through a postmodern lens and will specifically focus on new forms of colonialism and capitalism. This perspective will fit the research objective best because it exposes the linkage between the different theories and discourse.

2.6 Data

The techniques I use for data collection are associated with qualitative inquiry. The main techniques I use are based on the analysis of documents and literature and I will conduct several interviews with specialists in the field. The documents I use are policy documents and working papers of the European Union, the Dutch government, the Egyptian government and the World Trade Organisation, Corporate and annual reports from the transnational pharmaceutical companies GlaxoSmithKline, Novartis and Sanofi-Aventis, and state-of-the-art academic literature.

European policy documents, annual business reports, working papers etc will be analyzed to answer the sub questions and academic literature will form the basis of my conceptual framework. The conceptual basis of the thesis will be used to draw the line between Europe's policy and Europe's dominance on the pharmaceutical market and forms of neo-colonial policy

The interviews will be conducted with 6 Egyptian/Egypt specialists in order to find out their perspectives and opinions on the European policy within the European Neighbourhood Strategy and the implications for Egypt.

Unfortunately, due to time-distance limitations the interviews were conducted by phone, using the computer software Skype.

A number of fixed questions were designed to form the lead for the interview.

- What is your attitude towards the EU?
- What is your opinion about EU foreign strategy?
- Do you know the European Neighbourhood Policy?
- Are the “common” values in the European Neighbourhood Policy are indeed common?
- How would you describe the relationship between the EU and Egypt?
- What are according to you the reasons why the European Union developed a European Neighbourhood Policy towards Egypt?
- Do you believe that ENP has a positive impact on the local Egyptian population? Why?
- Do you believe that the European Neighbourhood Policy has a positive impact on the access to medicine for the Egyptian population? Why?
- How would you explain the booming European pharmaceutical industry in Egypt?
- Do you think that the European multinational corporations have pressured for the development of liberal economic policy in the framework of ENP in Egypt? Why?

The interviews were conversations in which the above questions were touched, instead to follow the fixed questions strictly. The appendix A shows the blueprint of the interviews. Due to unsuccessful attempts to record the conversations by using special Skype recording software the blueprints consists of keywords written down by the interviewer during the conversation by telephone.

Chapter 3 The historical relations between Egypt and Europe

The following chapter will give a short (limited) version of Egypt's historical relations with European nation states to give an overview of the development of the nation-state Egypt in order to see the current external policy of the European Union towards Egypt in historical perspective.

3.1 French colonial rule

European occupation in Egypt can generally be divided into two eras; the French colonial rule at the end of the 18th century and the British occupation from around 1880 until Egypt's independence around the mid 20th century.

During the end of the 18th century the British and the French were in a constant battle for resources and foreign territory for expansion. The French led by Napoleon Bonaparte invaded Egypt in 1798, because of its central geographical position. His goal was to disrupt Britain's trade with India that went over Egyptian territory. He succeeded and established French rule, this lasted until 1811 when an Ottoman military officer named Mehemet Ali conquered Egypt and defeated the French.

Mehemet Ali established an Egyptian government in the Ottoman Empire. He maintained strong relation with the British Empire and many British merchant tried to find business opportunities in the Nile valley and Suez. The British financially supported many developments in Egypt like for example the George Stephenson's railroad, which was completed in 1850 and telegraph lines system for the communication between Britain and India which was completed in 1857.

However the British opposed the construction of the Suez Canal, because they expected an increase in competition for the Eastern territories, which pushed Egypt into a coalition with the French to build the Canal. The Suez Canal opened in 1869 and became an enormous success. Despite the British opposition at first they became dependent on the Canal for their trade with their Eastern territory, and in its first fifteen years of operation more than eighty per cent of the ships who passed the Canal sailed under the British Flag.

The first years of the Suez Canal the British tolerated the fees that needed to be paid to pass through the canal to French and Egyptian investors as long as British merchants could operate freely.

However, around late 19th century the Egyptian nationalist movement gained more and more power due to the defeat of the Ottoman Empire in 1877 and the Russo-Turkish war encouraged the Egyptian nationalists to fight against Mehemet Ali (which was originally Turkish). (Tollefson, 1999, Jones, 2003)

3.2 Economic dependency on Europe.

Due to Egyptian efforts to modernize Egypt the debts of the Egyptian government rose from an estimated 3 million pound to nearly 100 million pound. This money was spend on the development of the Suez Canal, the construction of thousand miles of railroads, water ports and irrigation projects to create more farm land. This money came from British and French private investors, mainly banking families. By 1875 Egypt was near bankruptcy and had to sell the Egyptian shares in the Suez Canal. The shares were bought by the British government, making 45% of the Suez Canal British and 55% French.

Due to their weak economic position and its dependency on Britain and France, Egypt sought additional economic direction by its largest creditors, which lead to the British and French control of Egypt's financial policy in 1878. This Anglo-French participation survived until 1882.

The presence of foreigners in the Egyptian government enhanced the support for the Egyptian nationalists, even as the fact that the debts of the Egyptian government kept on rising. This made the Egyptian government behind on payments of wages to the army which led to an army mutiny and a coup in 1879. (Jones, 2003)

The French and the British feared that the nationalists had become too powerful and signed a secret "Anglo-French Joint Note" on January 1882 to use their power to keep their position in the Egyptian government. In 1882 the French and the British each sent military squadrons to protect "European interests" and on June 1882 the Egyptian revolt against their intervention began. The British responded by bombarding Egypt. The British government sought international support for an invasion of Egypt, but neither the Ottoman sultan nor the French or other European governments joined. (Tollefson, 1999)

3.3 British occupation

In august 1882 the British invaded Egypt, arguing that Egypt was descending into anarchy which was threatening the trade through the Suez Canal. Critics argued that the Egyptian intervention was fought on behalf of the British investors using taxpayers' money and charged that Egypt was the prototype for a form of financial imperialism that used loans to push a government into bankruptcy to gain interest in local affairs and then later failure to pay as justification for invasion to protect European interests.

The British established a liberal imperialism which lasted until around 1922, when the British declared Egypt's independence after ongoing demonstrations and violence from Egyptian nationalists. In order to underestimate the growing power of the nationalists the British

appointed an Egyptian prime minister, Sarwat Pasha and reinstalled king Faoud. However, British influence stayed dominant in Egypt's political and economic life and continued to implement economic and administrative reforms.

During the second WW the British troops used Egypt for their military operations, but nationalists continued to grow and in 1952 a group of military officers overthrew the government, which as installed by the British, established a constitution and declared Egypt a republic, lead by Colonel Gamal Abdel Nasser. Nasser became highly popular with his political Arab socialism.

After his dead in 1970 another military officer of the coup of 1952 was elected President of Egypt, Anwar el Sadat. Sadat used the Nasser's popularity under the Egyptian population to introduce economic reforms that ended the socialistic policy of Nasser. (Mitchell, 1988, Jones, 2003)

3.4 From Arab socialism to economic liberalism

After the Socialist economic system during the 1950s and 1960s, Egypt opened its doors in the late 1970s and started a number of economic reforms programs in the 1980s and 1990s, created due to help of European specialists. These economic reform programs have shaped a liberal economic climate in Egypt and in 1977 the first Trade Agreement with the European Economic Community was signed.

In 1990 the Egyptian government launched an Economic Reform Program, which focussed on several economic reforms, to be implemented in several phases. The first focussed on the stabilization of the economy, improving public finance, exchange rate policies and stabilizing inflation. The second phase focused on trade and investment such as improving the private sector and restructuring the banking sector. Egypt's economic reform agenda in the 1990's is said to have gained the appreciation of 'international observers' of the European Union, WTO and the IMF because of its huge increase in growth, reduction of inflation and budget deficit. These policy changes caused an enormous increase in private investments, they exceeded 80% of total investments in Egypt from 1990 until 1999, reflecting the liberal political agenda of the Egyptian government in that time

Chapter 4 The pharmaceutical sector in Egypt

Economic liberalisation has been the top priority of the Economic Reform Program in Egypt and this has led to enormous possibilities for transnational organisations, such as the transnational corporations in the pharmaceutical sector in Egypt. (Economywatch, 2008, Ministry of Investment, 2007)

4.1 Pharmaceutical market in Egypt

The pharmaceutical market in Egypt is said to be one of the oldest strategic markets in the country. It started around 1940 when the Misr Company of Pharmaceutical Industries was founded. During the socialist and closed economical system, the market developed slowly. That time pharmaceutical companies were under full government control. However, with the launching of the Economic reform agenda's in the 1980's and 1990's, the pharmaceutical companies gained great autonomy and the Egyptian market was over flooded by a huge amount of private sector pharmaceutical companies.

According to the report of IMSHealth, the pharmaceutical organisations in Egypt fall into three categories, public sector categories, which are subsidiaries of the Drug Holding Company (D.H.C.), which have their roots in the first national pharmaceutical Industry, the Misr Company of Pharmaceutical Industries, then there are local private sector companies and transnational private corporations. (IMSHealth, 2006)

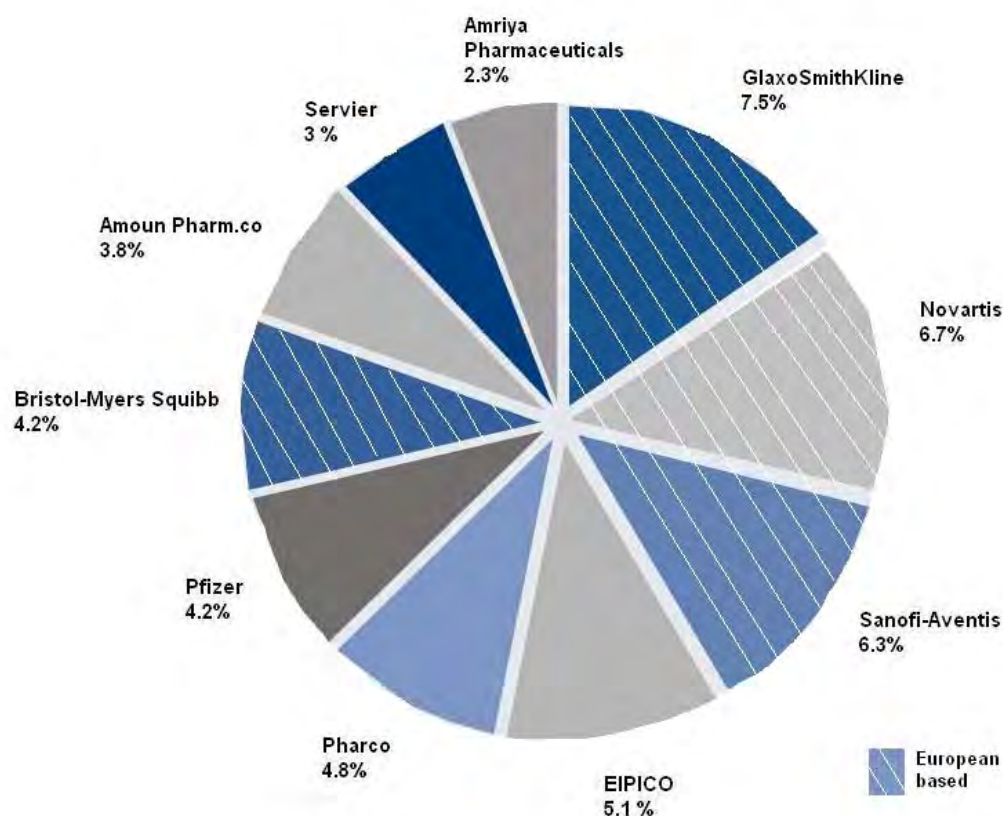
After the liberal reforms of the past decades the private market has increased enormously while the public segment has become marginal. Different economic reports, from the Egyptian government, the healthcare market Intelligence Company IMS and reports of other private statistical research organisations state that an estimated 85% of the pharmaceutical market nowadays is privately owned. (Investia Inventure Capital, 2006)

According to IMS the pharmaceutical market, in 2006, consists of around 47 pharmaceutical companies, of which 8 are publicly owned. The Egyptian ministry of Investment speak about 30 private and 8 public pharmaceutical companies, but both of these figures indicate a limited market share for public pharmaceutical corporations.

IMSHealth's report indicates an estimated 50 per cent of the market owned by the top ten privately owned pharmaceutical corporations, of which 6 of these companies are Transnational corporations and 4 local private companies. An unpublished IMSHealth report of 2006 comprises a figure of the market share in pharmaceuticals in Egypt, this figure

indicates a 34% share of the Egyptian pharmaceutical market of the top 6 corporations. These numbers show the high concentration of the Egyptian pharmaceutical market. The next figure shows the market share in pharmaceuticals in Egypt as indicated by IMSHealth.

Figure 1; Market shares of the top ten Pharmaceutical companies in 2006



Source; IMSHealth, unpublished Statistical report, March 2007

GlaxoSmithKline has the largest market share, an estimated 7.5%, followed by Novartis, 6.7% and Sanofi-Aventis which possesses nowadays an estimated 6.3% of the Egyptian pharmaceutical market, due to the international merger of Sanofi and Aventis in August 2004. Sanofi-Aventis is now both the worlds largest and Egypt's third largest pharmaceutical company and it also ranks number 1 in Europe.

This means that in 2006, the top three transnational corporations own around 20 per cent of the market. Although other reports show slightly other numbers and whether or not these figures are precise, what can be stated is that these figures indicate an enormous concentration of market share in the Pharmaceutical Industry in Egypt for European transnational corporations.

However, the ongoing privatising and increase of scale constantly change the market. After the IMSHealth report in 2006, Egypt's market leader GlaxoSmithKline announced that it has bought the market share of Bristol-Myers Squibb on 15 October 2008. This indicates a market share of around 12% and a market share of a quarter for the top three pharmaceutical corporations.

GlaxoSmithKline plc (GSK) today announced that it will acquire the Egyptian mature products business of Bristol Myers Squibb (BMS), for \$210 (£125) million, in a move to accelerate sales growth and further extend its pharmaceutical portfolio in emerging markets. (GlaxoSmithKline, 2008)

The three corporations dominant in the pharmaceutical market in Egypt are GlaxoSmithKline, Novartis and Sanofi-Aventis and these three corporations are all European based. This study will focus on the political activities of these three pharmaceutical corporations and their ability to influence European Union policy making process in order to shape external policy towards Egypt which benefits their business operations. First, the next paragraphs will shortly give the corporate profiles of GlaxoSmithKline, Novartis and Sanofi-Aventis in order to have some background information about the corporate activities.

4.2 European pharmaceutical transnational corporations in Egypt



Company profile; GlaxoSmithKline (GSK)

GSK is a transnational pharmaceutical giant which has its headquarters in the United Kingdom. The roots of GSK lie in the London pharmacy, established in the year 1715 and over the years many companies have merged to form GSK nowadays.

GSK is supposed to be one of the world's leading pharmaceutical companies, they claim to have an estimated 7 per cent of the world's pharmaceutical market. Research conducted by the Global Corporations Portal indicates that GSK has an estimated 100.000 employees worldwide, of which 40.000 are working in sales and marketing. GSK has the largest sales force in the industry. Around 35.000 employees work at an estimated 85 manufacturing sites in 37 countries. GSK sales and profits have skyrocketed in recent years due to an

aggressive marketing and expansion strategy which lead to an estimated 63.6 billion dollars sales and an estimated 16 billion dollar profit.

However these figures highly differ in different reports and studies. GSK speaks of an estimated 99.000 employees over 100 different countries. The annual report of 2008 indicates sales of 51.1 billion dollars and profits of around 8 billion dollar. According the data provided by EuroStockCity these figures are significantly lower because of the devaluation of the pound. The table below shows the year revenues according EuroStockCity from 2003 until 2007 in pounds (instead of dollars).

Table 1; Company profile GlaxoSmithKline EuroStockCity

| Key figures | | | | | |
|---------------------------|--------|--------|--------|--------|--------|
| Year | 2007 | 2006 | 2005 | 2004 | 2003 |
| Net Operating revenues* | 22,716 | 23,225 | 21,660 | 20,359 | 21,441 |
| Net Profit* | 5,214 | 5,389 | 4,689 | 4,304 | 4,484 |
| * in million(s) of Pounds | | | | | |

Source: <http://uk.finance.yahoo.com/q/pr?s=gsk>

Although I doubt the accuracy of these numbers, what can be stated is that GlaxoSmithKline is ranked among the top five world-class corporations in the health-care and pharmaceutical sector, that their sales and profit are unbelievably high and that their corporate power and influence in the world is substantial. (EuroStockCity, 2008)

Previously the company's interests lied in three mayor fields; infections, the central nervous system and metabolic/gastric conditions, for which it offers a number of medicines and vaccines. Nowadays, the company also claims to work in producing treatments for cancer, colds, asthma, allergies, migraine and herpes, and according to GSK, its major research focus is on perfecting treatments for HIV. Besides the company offers a large range of so called 'over-the-counter' medicines sold in chemists' shops, as well as health and food products such as energy drinks. Well known products of GlaxoSmithKline are the nicotine patches Nicorette and Niquitin, the range of toothpastes Aquafresh, Macleans, Sensodyne, the medicine Panadol, lip-crème zovirax, the famous antibiotics Augmentin etc.

GlaxoSmithKline's main market is North American and Europe, however, due to decrease in sales their market strategy moved to expansion and growth in new markets of especially Africa and Asia.

There has been a slight decrease in sales over the past two years, which have stimulated GSK to develop a new approach for the next years. Their annual report shortly summarises this new strategy into three strategic priorities;

- Grow a more diversified global business
- Deliver more products of value
- Simplify the operating model

Which have lead to the new slogan; GROW-DELIVER-SIMPLIFY

Abbas Hussain, the president emerging markets of GlaxoSmithKline stated; *“Acquisition is an important step in GSK’s strategy to accelerate sales growth in emerging markets. It will enable us to build and diversify our existing branded pharmaceuticals portfolio and signals our strong commitment to provide quality medicines to patients in Egypt and other countries in the Middle East and North Africa region.”* (GlaxoSmithKline 1, 2008)

According to the Global Corporations Portal this is an aggressive market strategy causing an increasing medicine price and a decreasing access to medicine, due to the emphasize on strong Intellectual Property Rights. GSK states the following on their website; *“The pharmaceutical industry is experiencing a time of unprecedented challenge. Patent expiries, regulatory issues and increased pressures from healthcare providers have combined to create an environment where our sector is associated with lower growth and higher risk.*

We are addressing these challenges through three key strategic priorities that we believe will transform GSK into a company that delivers more growth, less risk and an improved financial performance.” (GlaxoSmithKline 1, 2009)

Ironically the expected outcomes of the new strategies of GSK and Global Corporate Portal do not contradict, but focus on the expected outcomes for either the population or the corporation.

For your information, the following explanation on their website clearly expresses their interests;

“The patents on many medicines that have driven sales growth in our industry over the past decade are coming to an end. (...) No longer do we merely have to discover and develop products that help people do more, feel better and live longer. We now have to justify that our products represent the greatest value for healthcare providers.

At the same time, the pharmaceutical sector has been exposed to controversy regarding ethical and patient safety issues. As an industry, we are in danger of eroding what trust we already have when we actually need to be building stronger relationships with governments, regulators and the general public. These factors have combined to move the industry from

one which was expected to deliver high growth at low risk, to the very opposite (...)". (GlaxoSmithKline 1, 2009)

Later on in my thesis I will go deeper into the relationship with regulators and governments with which GSK claims to need a stronger relationship with.

The corporation has 87 manufacturing sites spread around the world. It has two types of manufacturing sites, primary sites, which produce the active compounds used in medicine and secondary sites which convert the active compounds into finished products. There are 12 primary production sites, located in the UK, Ireland, the US, Singapore and Australia where mainly high-skilled workers are employed. There are 15 secondary manufacturing sites in Europe (mainly Eastern Europe), 6 in North America, 5 in Latin America, 5 in Africa (of which 3 in Egypt), 15 in Asia, Pacific, Australia region. 4 in China and 1 in Japan. The workers in these secondary plants are mainly low-skilled and are presumed to work under poor working conditions. The production and supply system of GlaxoSmithKline work in a single global network.

Besides, GlaxoSmithKline (GSK) is a full member of the European Federation of Pharmaceutical Industries and Associations (EFPIA). The EFPIA is a European Pharmaceutical Association which lobbies for the interests of the Pharmaceutical Industry in Europe. (GlaxoSmithKline 2, 2009)



Company profile; Novartis Pharma

Novartis Pharma has its headquarters in Basel, Switzerland and was created out of the merger of Ciba-Geigy and Sandoz in 1996. Ciba-Geigy Ltd. was a Swiss leading global corporation in biologicals and chemicals for healthcare, Ciba-Geigy Ltd also originated out of a merger between Ciba and Geigy in the 1970's. Sandoz was a mayor German pharmaceuticals company, when they merged they became one of the world's largest life sciences company Novartis pharma. Novartis offers a wide range of healthcare products out of four core business sectors, pharmaceuticals, vaccines, generics and consumer health. The largest sector is pharmaceuticals. The company also focuses on contact lenses and eye-care products, animal health products and agricultural products.

Novartis operates in 140 countries around the world and has an estimated 98.000 employees worldwide. Just to give you an idea of their business practices, the company sales were an estimated 42 billion dollar during the fiscal year 2008, which meant an increase of almost 10 per cent over 2007, with a net profit of an estimated 8 billion dollars over 2008. However the ICIS, a market intelligence company, speaks of estimated sales 41 billion dollars and a profit of around 11 billion dollar.

(ICIS, 2009)

To see this in proportion, the net income of Novartis Pharma over the fiscal year 2008 is an estimated 8 billion dollars, these figures are extremely high when comparing them with the Gross National Product of the European Union 18 billion dollars and the United States 14 billion dollars in 2008 (IMF, 2008) and let alone the GNP's of Egypt, 162 million dollars. (Novartis 1, 2009)

The company's mission; *"We want to discover, develop and successfully market innovative products to prevent and cure diseases, to ease suffering and to enhance the quality of life.*

We also want to provide a shareholder return that reflects outstanding performance and to adequately reward those who invest ideas and work in our company." (Novartis 2, 2009)

Novartis is, just as GSK, a full member of the European Federation of Pharmaceutical Industries and Associations (EFPIA).



Company profile: Sanofi-Aventis

Sanofi-Aventis is listed in Paris, France and claims to be the world's third pharmaceutical company, and Europe's leading pharmaceutical company. Sanofi-Aventis came into existence because of a giant merger between Sanofi and Aventis in 2004. That year Sanofi-Synthelabo acquired Aventis by making a hostile takeover bid worth 47.8 billion euro's. At first Aventis rejected the offer because it stated that it offered inferior value based on the company's share value. This rejection led to a three months during take-over battle to be concluded after the bid of Sanofi of 54.5 billion dollar. The French government played an active role in the negotiations and pushed for Sanofi to raise its bid because they wanted a solution called; "a local solution", after Pharmaceutical company Novartis (Swiss) also offered a bid for Aventis. The French government preferred Sanofi, a French based company, to merge with Aventis, and so it happened. (Sanofi-Aventis 2, 2008)

Sanofi, itself, was also formed by a recent merger. In 1999 Sanofi merged with Synthelabo (L'Oreal), and Aventis was also formed in 1999, when Rhone-Poulenc S.A. merged with Hoechst Marion Roussel, which itself was formed in 1987 from the merger of Hoechst AG with Roussel Uclaf and Marion Merrel Dow, which was based in Strasbourg, France.

In 2006, Sanofi-Aventis increased in scale again, it acquired almost 25% of Zentiva NV, a Dutch pharmaceutical resource company, for an estimated 430 million dollar and on 8 June 2009 it purchased the largest insulin manufacturing plant in the world from the US competitor Pfizer for 30,527 million euro's. This increase in scale has led to major global

pharmaceutical players with skyrocketed revenues and political power. (Sanofi-Aventis 1, 2008)

Their website reports their corporate mission and core-objective; *sustainable and profitable growth*. Looking back at earlier times, this is exactly what Marx believed to be the core characteristic of a capitalist society, an ever expanding need for growth. To be able to keep on growing Sanofi-Aventis published their new market strategy in the end of 2008, which is focused on three core objectives;

1 Increasing innovation in research and development

2 Adapting the company to future challenges

“The crucial questions facing our industry are clear: “How can we change the model? How can we create more sustainable growth?” To answer these questions, we have to identify the resources and the competencies we need to grow. We are growing in markets as diverse as the patients themselves.(..)” (Sanofi-Aventis 1, 2008)

3 Pursuing external growth opportunities

“Why must we diversify? Classical small molecules pharmaceuticals, our core business activity, are vulnerable to patent expiry. So we want to build businesses like vaccines, like consumer health care, like branded generics, to create a basis for more sustainable growth. (...) (Sanofi-Aventis 1, 2008)

Sanofi-Aventis focuses on research, development, manufacturing and marketing of healthcare products and the company has two main activities; pharmaceuticals and human vaccines, and within pharmaceuticals it focuses on six main areas; thrombosis, cardiovascular, metabolic disorders, oncology, central nervous system and internal medicine. The company also focuses on a range of other over-the-counter (OTC) pharmaceutical products, products which can be sold freely.

The company has two main alliances, through three of its main products are sold and marketed. The first with Bristol-Myers Squibb (Oct. 2008 merged into GlaxoSmithKline) and the second with Procter & Gamble Pharmaceuticals, a US based corporation.

The company has an estimated 100 compounds, of which about 40 are in clinical trials.

Sanofi-Aventis claims to have annual sales around 40.1 billion dollars, a net profit of around 9 billion dollars and employs an estimated 100.000 people worldwide, a market report from Businessweek, however, claims an estimated annual sales of 32.7 billion dollar and an estimated net-profit of around 7.2 billion dollars. Other report, again, give other numbers of annual sales and profits, this because of due to exchange rate movement, but I believe accuracy is generally impossible due to the incredibly large dimension, but what these numbers do show is that sales and profits are enormously large.

Sanofi-Aventis is also a full member of the European Federation of Pharmaceutical Industries and Associations (EFPIA). (Businessweek, 2009)

4.3 The Egyptian civil society and the pharmaceutical sector

The Launch of the Economic reform agenda's in the 1980's and 1990's changed the Egyptian economy drastically, the market was over flooded by a huge amount of 'western' private transnational corporations, which pushed aside many Egyptian private and public corporations. For example, as shown in the former paragraph, the pharmaceutical market is now dominated by European corporations.

These changed in the Egyptian economic landscape have not been unnoticed by the civil society in Egypt and there is a critical discussion on the impact of the liberal policy changes very much alive, including the policy of the European Union towards Egypt.

The current study conducted interviews with 6 Egyptian/Egypt specialists in order to find out their perspectives and opinions on the European policy within the European Neighbourhood Strategy and the implications for Egypt. The interviews show a clear difference in opinion between interviewees who work or worked for the European Union or Egyptian government (3 out of 6) and interviewees who never worked for the EU or the Egyptian government (3 out of 6).

Four of the six interviewees had a neutral attitude towards the European Union, one negative and one a positive attitude, however the attitude towards the foreign strategy of the European Union is much more negative even as that most of the interviewees describe the relationship between the European Union and Egypt as unequal. According the interviewees the dominant economic position of the European Union determines the weak bargaining position of Egypt and Egypt has to adhere to policy of the EU in return for funds and financial aid. However interviewees related to the European Union or the Egyptian government are much more positive. They state that there is an equal exchange relationship between Egypt and the European Union and the European Neighbourhood Policy is based on the mutual interests between equal partners and the country specific Action Plans and policy papers are developed by both countries/institutions.

The reasons why the European Union (together with its neighbours) developed the European Neighbourhood Policy also differ between the interviewees. According Hans-Otto Sano the EU developed policy towards Egypt to impose the removal of tariff barriers on imported goods and restrictions on foreign investment, to open the market for its

corporations and to impose policy on migration and security matters. Others agree and state that the policy is developed because of geostrategic interests, to improve economic conditions in Europe, to stabilize them in the region and to fight problems like migration, crime, terrorism and security. However, the interviewees disagree on whether this has positive or negative implications for the Egyptian population. Vincent Forest states that he is in favour of liberal policy because he believes that the market controls itself, there is no government interference needed. By the implementation of liberal policy in the framework of the European Neighbourhood Strategy the economic and social situation in Egypt will therefore be improved. He does state that not fully developed countries are weak in the global economy. 4 other interviewees strongly disagree. They state that the implementation of liberal policy has a negative impact on the population because the policy enforces the removal of tariff barriers and restrictions on foreign investment, this only benefits the European economy and makes the Egyptian economy more and more dependent on foreign investment. This means that these companies have a monopoly position which enables them to determine the agenda and profits directly leak to foreign countries and are not invested in the Egyptian economy.

Anna Carin Krokst de, the ENP general coordinator of the European Commission is much more positive on the impact of the ENP on the Egyptian population. She states that the ENP Action Plan for Egypt encourages Egypt to fully benefit the Euro-Mediterranean Partnership by promoting infrastructure networks and markets and to develop new forms of cooperation with its neighbours. The ENP offers incentives for reform that will bring benefits in terms of economic and social development, like

- new forms of technical assistance
- participation in agencies and programmes in fields as education and health
- policy driven financial instruments, with increased funding and more efficient reform programmes

According to her, strong relations with the EU will assist Egypt in implementing political, economic and social reform agenda's which contribute to sustainable growth, development, economic stability, reducing trade barriers, stimulating investment, growth and employment. However, the other interviewees do not agree, they believe, especially the liberal economic reform programs, do not improve the social and economic situation in Egypt. Because of the privatization of the health system the government has no power in regulating prices anymore, this enables the foreign pharmaceutical corporations to heavily increase prices of medicine which limits the access to essential medicine.

Most of the Interviewees have a shared concern in the growing power of pharmaceutical corporations in health policy. The increased reliance on European pharmaceutical corporations has weakened the Egyptian pharmaceutical industry and has lead to higher prices and deprives the poor in their right to access to essential medicine. They doubt the fact whether the neighbourhood strategy will bring prosperity to Egypt because according to them it only serves Europe's business interests.

Chapter 5 Political strategies of the European transnational pharmaceutical corporations in Egypt

The last chapter showed us the changes in economic climate in Egypt and the enormous revenues and size of the business activities of the three pharmaceutical corporations' central in this study. The interviews showed us the concerns of the civil society in Egypt of the growing power of the corporations operating within a liberal policy framework. Like Bock and Fuccillo (1975) already predicted more than thirty years ago, and where many academics agree upon nowadays, is the fact that transnational corporations must not only be seen as economic actors, but most definitely also as powerful political actors. This because their influence is felt everywhere in the international system because they operate independently in international relations and they pose their influence on state actors to push for certain policy. (Bock & Fuccillo, 1975)

The increasing power of TNCs, the past decades, has changed the functioning of the international political system. These corporations and their political strategies have played an increasing role in the international decision making process and their corporate lobby towards state actors have increased tremendously over the past years, this indicates an increasing political power of TNCs.

Nowadays there is a wide academic consensus on the TNCs possession of political power, many scholars have published about corporate interference in public policy making. It is indisputable that corporations spend considerable amounts of money on political strategies which have made them among the most powerful political players. According to Bock and

Fucillo (1975) they did not only became powerful because of political strategies but also because of the growing dependency on their capital, knowledge, information, resources etc, which because of favourable policy, is subject to increasing growth, which also indicated their increasing power.

In order to know more about the political power of these enormous transnational corporations and their ability to shape beneficial policy to extend their corporations and increase their sales and profits even more, the framework of Hillman and Hitt (1999) is used. This framework of Hillman and Hitt (1999) is developed in order to determine the corporate political action (CPA) of transnational corporations.

Many scholars have published the last decades on the different political strategies corporations use to influence the public policy making process, the framework of Hillman and Hitt (1999) is considered to be the most comprehensive and elaborate model of political strategy, they claim to have taken all previous research into account while developing this new framework, therefore this study will use the model of Hillman and Hitt (1999) to determine the corporate political strategy of the transnational pharmaceutical corporations GlaxoSmithKline, Novartis and Sanofi-Aventis in order to determine the impact of their CPA on the policy making of the European Union.

5.1 Political strategies of transnational corporations, a framework of Hillman and Hitt (1999)

Amy J. Hillman specialised in determining the political strategies of transnational corporations in her many studies the past decades. She states that corporate political activities and corporate attempts to influence political policy in ways favourable to the corporation, are commonly employed by transnational corporations, and like she says it; *"in order to shed light on the dark practices of transnational corporations"*, she developed a framework to determine the political strategies of transnational corporations.

Hillman and Hitt (1999) presented a three layer decision framework of proactive CPA, consisting of the decision between 1 relational and transactional general approach, 2 a decision between individual and collective participation and 3 a decision among three types of strategies, information, financial incentive and constituency building. The framework of Hillman and Hitt (1999) focuses on proactive CPA, even as this study.

Proactive vs. reactive CPA

There are two main typologies of Corporate Political Activity (CPA), 1 proactive and reactive, and 2 approach, participation level and strategy. At the broadest level, political action of corporations can be classified by proactive and reactive action, or as other scholars like Meznar and Nigh (1995) call it, buffering and bridging. Here political buffering behaviour means proactive political action towards governmental actors, for example informing the decision makers about the impact of legislation, actively trying to reduce government regulations of the corporation or making campaign contributions, lobby or other actions which might influence the regulative process. In other literature these proactive political actions are also called, *public policy shaping* (Weidenbaum, 1980) and *Bargaining* (Boddewyn & Brewer, 1994). In this study I will use the typology *proactive and reactive* of Hillman (2005).

Reactive political action according to Hillman (2005) such activities as tracking the development of regulation and legislation so to have compliance in place when passed and exceeding compliance levels for regulation, which means that instead of putting pressure on decision makers to implement corporate friendly policy, corporations cooperate and anticipate on future policy by compliance.

My study will focus mainly on proactive CPA, because theory indicates an increasing corporate effort to influence public policy by using proactive political strategies.

In the next paragraph the three layer CPA framework of Hillman and Hitt (1999) is presented.

CPA; 1 Approach, 2 Participation level, and 3 Strategies.

1 Approaches to CPA

According to Hillman and Hitt (1999) there are two kinds of approaches corporations can choose for their political action, relational approaches to CPA, which indicate a long-term and issue spanning relationship and transactional approaches to CPA, which are more ad-hoc and issue specific.

In the transactional approach corporations await the development of an important public policy issue before building a strategy to affect this issue. Other scholars have pointed out that these two approaches never appear in their purest form and that they very much differ depending on the kind of decision the strategy is directed at. However, looking at one type of decision making institution, Hillman (2005) claims that corporation very much use either one or the other approach. This study will be looking at one decision making institution, the European Commission, making this classification of Hillman relevant for usage.

According to Hillman's (2003) study on the political strategies of US multinationals, many corporations use political strategies over the long term, rather than issue by issue. This represents the second type of CPA approach, the relational approach. This approach, instead of monitoring public interest and becoming involved when a specific issue arises, attempts to build a strong relationship with decision makers across specific issues and over a large time span, so that when public policy issues arise the contacts and resources needed to influence this policy are already in place. These two types of political action differ in length and scope of continued activity, a transactional approach stands for a relatively short-term exchange relationship between the policy maker and the corporation and the relational approach stands for a long-term exchange relationship. Hillman (2005) points out that this relational exchange relationship is crucial for the building of trust and when parties trust each other they are more likely to engage in an fruitful exchange relationship.

The study of Grant (1998) shows a drastic increase in the number of corporations with offices in Brussels, Hillman (2005) argues that this happened because the use of a relational approach is growing among transnational corporations, a close relationship with European policy makers have grown in importance the past decades.

Variables affecting choice of approach

Several variables could affect the corporations' decision to take the transactional, relational or both approach(es). According to Hillman and Hitt (1999) there are three prominent ones:

- 1 The degree to which firms are affected by governmental policy
- 2 The level of firm product diversification (related or unrelated)
- 3 The degree of corporatism / pluralism within the geographical area of the decision makers.

They argue that the decision of the approach depends on the level of dependency of governmental policy, for example when a corporation operated in a rather unregulated and stable environment, the company is more likely to only interfere when a specific issue arises, however when a corporation operates in a highly regulated and changing environment, it is more likely to establish a relational approach.

The second variable that determines the approach of CPA is degree of product diversification, related or unrelated. Related product diversified corporations have a narrower focus on political issues because they are concerned with limited industry domains (Hoskisson & Hitt, 1990)

Hoskisson and Hitt state that focused domains create opportunities for specialized political relationships with policy makers because the corporation has only a limited number of products the corporation also only has a limited number of regulations to worry for, this indicates, the more diversified the products are of a corporation the more corporation choose

the transactional approach to only become active when a specific issue arises, this because the corporation may not have the ability to build up relationships in all policy domains of interests. (Hillman, 1999)

The third variable that affects the corporations' decision to take a transactional or relational approach is decision makers' degree of corporatism or pluralism. According to Hillman, this classification between corporatism and pluralism is a common means of distinguishing among political systems, this is supported by much literature on political systems. (Murtha & Lenway, 1994)

Corporatist political systems have institutionalized participation by certain interests in the public policy process, for example business, labour etc. Pluralist systems are characterized by a wider variety of interests groups that can influence political decisions on any given issue. Research has shown that it is easier to access the political decision making process when it has a pluralist political system, however because of many interests groups having access in the decision making process it is also important for a corporation to act selectively and on issue basis. (Hillman, 2005)

Corporation operating in a corporatist political system often adopt a relational approach, building strong relationships in order to break through the hard walls to achieve influence on the decision making process. After the general approach the corporation takes, it also has to decide between the levels of participation.

2 Participation level

The first scholar to come with work that classifies political action has been Mancur Olson (1965). He stated that political action that individuals and interest groups may adopt in influencing public policy can be divided into individual and collective action.

Hillman & Hitt (1999) use this classification to determine the participation level of corporations. Individual action refers to the action taken by a single corporation and collective action refers to cooperation between two or more corporations to influence public policy. For example lobbying activities by a single corporation must be seen as individual CPA and lobbying by a trade association of pharmaceutical corporations is an example of collective action.

This distinction between these political strategy choices to act individually or collectively is similar to business strategy and marketing policy, here the corporation also chooses to pursue a competitive advantage in the market independently or collaboratively.

However follow-up research of Hillman (2005) have shown that many transnational corporations nowadays use both participation levels, therefore I will not classify as one or the other but both is also an option.

Variables affecting choice of participation

There are a number of variables affecting the decision to take either collective or individual action. The most important variable affecting the decision is the degree of financial resources necessary to affect policy making, because by taking individual action the costs go directly to a single corporation and by taking collective action these costs can be spread. However large TNCs are supposed to have sufficient resources, therefore they often prefer to act, on urgent and relevant issues, individually instead of collectively. Having more resources also influences the access to knowledge, and knowledge also determines whether to take collective or individual action, thus corporations with fewer resources overall favour collective action and corporation with sufficient resources often act independent, because it allows them to affect public policy that best favours the corporation. (Hillman & Hitt, 1999)

The second variable influencing the decision to take collective or individual action is the degree of corporatism versus pluralism of the policy maker.

Corporate political structures tend to promote consensus among actors because the policy making sphere is more difficult to access. However, in pluralist political structures there is room for many actors all presented their own interests, which means that corporations do not need to compromise in order to build a coalition which has a stronger bargaining influence, this affects the choice of corporate political actor participation (Hillman & Keim, 1995)

After approach and participation level, CPA is also classified by looking at specific strategies and tactics which transnational corporations use to influence policy makers.

3 Strategy types and tactics

According to Hillman and Hitt (1999) there are three main strategy types: information, financial incentive and constituency building, which all correspond with the three goods of exchange in politics: information, money and trust/votes. These three strategies all contain several tactics corporations use to influence public policy.

The first strategy that is used by corporate actors is the financial incentive strategy, based on the political exchange good; money.

1 The financial incentive strategy :

“This strategy targets political policy makers directly and users of this strategy attempt to influence public policy makers by directly aligning the incentives of the policy makers with the interests of the corporation through financial inducements.”

This includes tactics as providing financial support through direct contributions to political parties or individual policy makers, honoraria for speaking, paid travel expenses or personal services like having a representative of a firm in a political position or hiring personnel with direct political experiences or work.

The second strategy that is used by corporate actors is the Information strategy, based on the political exchange good; information.

2 The information strategy:

“ This strategy seeks to affect public policy by providing policy makers specific information about preferences for policy or policy positions and may involve in providing information on the costs and benefits of different issue outcomes.”

The tactics included in this strategy are lobbying, internal (by own employees) or external (by a hired organisation), reporting research and survey reports, commissioning policy think-tank's and research groups, testifying as experts and supplying policy makers with position papers and technical reports.

The third strategy used by corporations to influence the decision making process is called; the constituency building strategy.

3 The Constituency building strategy

Whereas the last two strategies were targeted at the decision maker, this strategy is targeted at the general public.

“Users of the constituency building strategy attempt to influence public policy by gaining support from the general public, the individual voters, which again express their policy preferences to political decision makers”.

This strategy approaches the decision maker indirectly by focussing on the political exchange good; trust/votes and includes tactics as grassroots mobilization of employees, customers, suppliers or other individual related to the corporation, public relations as advocacy advertising, press conferences on public policy issues and economic and political education.

The next table gives an overview of the different tactics within the three strategies, used by corporation to increase their influence in the decision making process. (Hillman and Hitt. 1999)

Table 2; Classification of tactics used in the three corporate political strategies of Hillman and Hitt (1999)

Strategies and tactics of corporate political action

| Financial incentive strategy | Information strategy | Constituency building strategy |
|--|---|--|
| Tactics: <ul style="list-style-type: none"> - Providing contributions - Hiring individuals with governmental contacts and experience - Paying to speak - Paid travel - Company members in government | Tactics: <ul style="list-style-type: none"> - Internal lobbying - External lobbying - Reporting of research results - Testifying before government bodies as experts - Commissioning think-thanks - Supplying position papers or technical reports | Tactics: <ul style="list-style-type: none"> - Advocacy advertising - Economic/political education programs - Mobilizing grassroots - Press conferences on policy issues - Approaches policy making body - Forming ad-hoc coalitions |

Hillman provides empirical evidence for the classification into these three strategies by analysed 18 individual tactics in her study in 2003. However Schuler (2002) does not agree with this strict classification into three strategy types, he states that TNCs nowadays often use a combination of two or more strategies and because of the used combination of strategies the tactics should be considered separately while forming a single overall strategy of Access. Mahon (1993) also notes that there are several tactics and strategies may be used simultaneously and she argued that; “corporations are not so naïve as to rely solely on one channel of access”. A corporation may use a combination of strategies to attempt to shape its competitive environment through public policy influence.

Although it is considered to be limitation of the study of Hillman and Hitt (1999) not to focus on combinations of strategies, the framework still gives a comprehensive overview of different strategies and tactics. Therefore the model will be used for this study, however, taken the criticism into account, it will not strictly classify into three strategies but the different combinations of more strategies will also be a possibility.

Variables affecting choice of political strategy

The variables affected the choice of strategy can be divided into two groups variables affecting decision; transactional approach and variables affecting decision; relational approach.

1 Variables affecting decision; transactional approach

If a corporation has chosen a transactional approach to political action (issue by issue based) the key determinant of strategy choice is the current stage of the issue's life cycle. There are three stages of public policy issues: 1 public opinion formation, 2 public policy formulation and 3 public policy implementation. The first stage refers to the emergence of the issue, the second to the development of the issue and public policy on the issue and the third to where the policy is formulated and implemented. The first two stages allow proactive political action, however in the third stage the only political action possible is reactive action (where the company adopts its corporate policy to new public policy). This study only focuses on proactive political action, therefore the last stage is dropped.

Stage 1 Public opinion formation:

"the stage where issues of concern to business are emerging: public interest in the issue is emerging and developing."

During this stage corporations are able to influence the public opinion, making the key variable of the first stage of the issue communication with the public.

Stage 2 Public policy formulation

"Specific regulations and policies are introduced in the political decision-making institutions that affect the corporation."

The primary variable determining the influence in this stage is whether or not to support or oppose the policy introduced. During this stage, the constituency building strategy, to target indirectly at policy makers through influencing the public, has not been very affective therefore in this stage a direct strategy as the Information strategy is used more often. (Hillman & Hitt, 1999)

2 Variables affecting decision; relational approach

If a corporation has chosen to pursue a relational approach, main determinants of the political strategies are not based upon specific issues because the relational approach spans across issues and time. Therefore corporations, using a relational approach, choose specific strategies based on the resources at the corporations disposal. According to Hillman and Hitt (1999) the choice of the three strategies, Financial incentive, Information and/or Constituency building, there are two variables that determine the choice of strategy of individual and collective action: credibility and the scale of the firm.

1 Credibility

According to Hillman and Hitt (1999) credibility is a resource that affects the success of political strategy, they even state that credibility is the most important characteristic of effective shaping of public policy. Other scholars agree with Hillman and Hitt (1999) and

state that a company needs to be perceived as credible by political decision makers (Hull, 1993)

2 Corporations scale.

The second variable that determines the political strategy of corporations is its size. Hillman and Hitt, (1999) have argued that a large number of employees is essential to many types of political tactics. The greater the corporations, the greater it's potential for constituency building, the greater its resources for the financial incentive strategy and information strategy. Thus, the larger the scale of the company more resources the company has to use all or combinations of strategies. (Hillman & Hitt, 2005)

To conclude, the next table gives an overview of the framework of the determination corporate political action of Hillman and Hitt (1999) This study focuses on proactive corporate political action, which can be classified according approach (relational or transactional), participation level (Individual and/or collective) and strategy (Information, financial incentive and constituency building).

Table 3 Framework determinants corporate political action Hillman and Hitt (1999)

| Proactive Corporate Political Action | | |
|--------------------------------------|---------------------------------------|----------------------------------|
| 1 Approach to CPA: | 2 Participation level CPA: | 3 Strategy CPA: |
| - Relational approaches | - Single participation | - Information strategy |
| - Transactional approaches | - Collective participation | - Financial incentive strategy |
| | - Single and collective participation | - Constituency building strategy |

In order to determine the strategy of the Pharmaceutical organisations central in the current study I will use the framework of Hillman and Hitt (1999)

However, due the limitations of this model, I will not solely rely my determination of the political strategy of the Pharmaceutical corporations on this framework of Hillman and Hitt (1999), but I will also test this framework by conducting a study of the corporate political actions taken by the relevant pharmaceutical corporations in order to find out which political strategies they are using to influence the decision making process of the European Union. It is important to examine the political strategy of the Pharmaceutical corporations because it enables the determination of the corporate's influence and power in this decisions making process of the European Union.

The next paragraph focuses on the determination of political strategy of the three European pharmaceutical corporations: GlaxoSmithKline, Novartis and Sanofi-Aventis by using the framework of Hillman and Hitt (1999).

5.2 The political strategies of GlaxoSmithKline, Novartis, Sanofi-Aventis

Approaches to CPA

A variable to determine approach from the Hillman and Hitt (1999) framework focuses on the degree to which the firm is affected by governmental policy. Pharmaceutical corporations in general, very much depend on governmental policy, due to the fact that public health forms an integral part governmental responsibility. Over the past decades there have been a constant struggle between pharmaceutical corporations and governments on the degree of their independence and the European Union very much regulated the pharmaceutical market, this indicated the necessity of maintaining a relational connection with the European Union. The political spokesperson of GlaxoSmithKline also indicated that they are dependent on governmental policy, especially on regulations concerning medicine patents and trade, this indicated a relational approach.

The second variable of Hillman and Hitt focuses on the level of related or unrelated firm product diversification. Hillman and Hitt (1999) state that the more diversified the products of a corporation are the more corporations choose the transactional approach, only to become active when a specific issue arises, this because the corporation may not have the ability to build op relationships in all policy domains of interests. Pharmaceutical corporations have a limited product diversification, however their product line considerably grew over the past decades, they are still principally focussed on products concerning human health, and this also indicates a relational approach.

The third variable of approach was based on the type of political system the CPA was directed to, in this specific study the CPA is directed to the European Union. Hillman and Hitt

argued that the degree of corporatism / pluralism of the political system determines the approach of CPA.

Much research has been done on the political system of the European Union, however their outcomes widely vary, due to the complicated political setting of the European Union and the blurred power relations between member states and the EU. Research (1999) of G. Falkner of the Max Planck institute in Cologne clearly states that the European Union cannot be classified as either corporatism and pluralism but that its system must be seen as a 'moderate diversity' characterised by the co-existence of various ideal-types of policy networks (statist clusters, issue networks, policy communities and corporatist policy communities).

D. Coen argues in his article that a general determination of European Union's political system is difficult because each school, corporatism and pluralism, provides questionable empirical evidence that would not support either model in its pure form. He argues;" *Instead we should attempt to see general political interest action in terms of the types of political actors that have access to the system*".

(Coen, 2003)

He indicates the existence of a European public policy system, that is different from the traditional pluralist or corporatist political systems, called the new 'forum politics' of Europe. These indicate new institutional arrangements between business and state, where not all interest groups have equal access to the negotiating table. In his study he argues that the European Commission is able to regulate the terms of representation via specific elite forums and quasi-industrial clubs. These forum style representations indicate an elite pluralist group of political actors where the corporate political actors have established a prominent position. The framework of Hillman and Hitt (1999) does not focus on other political systems than corporatism and pluralism in order to determine the approach. The 'forum politics' system of Coen suggests an relational approach to CPA in line with Corporatism, because corporatist political systems are supposed to build strong relations in order to achieve a special position in the policy making process, in the 'forum politics' system corporations also need to establish an elite position which enables them to gain the trust of the European Commission. However Hillman and Hitt stated that in their article that non-state actors have more influence on the political decision making process when it has a pluralist political system, however this is contradicted by D. Coen, he states that in the new 'forum politics' system non-state actors have much more influence because of their established special elite trust relationship, however the establishment of this relationship is

difficult and only reached by prominent large scale sophisticated political actors, such as transnational organisations. (Coen, 2003)

By looking at the variables of the framework of Hillman and Hitt it can be stated that all three pharmaceutical organizations, GlaxoSmithKline, Novartis and Sanofi-Aventis use the relational approach to CPA, this approach indicate a long-term issue spanning relationship. All three companies clearly state that they have a close relationship with the European Commission and that they are eager to maintain this long-term relationship with decision makers that goes across specific issues and over a large time-span. GlaxoSmithKline directly stated that it is best for company's interests to maintain this relationship in order to protect the company from 'threatening' policy changes

Participation level CPA

The second determination level of CPA is based upon the level of participation which, according to the framework of Hillman and Hitt (1999) can be based on individual or collective level. But as Hillman and Hitt already indicated in their follow-up research in 2005 many transnational corporations participate both in collective as in individual action.

The two variables of participation level in the framework of Hillman and Hitt (1999), the availability of financial resources and the nature of the political system, corporatism and pluralism, both show a different level of participation. According this framework, corporations with plenty of financial resources, as GlaxoSmithKline, Novartis and Sanofi-Aventis, use individual action. However looking at the nature of the European Union as a 'forum politics' system where access to the policy making domain is limited to an elite of specific elite forums and quasi-industrial clubs, this suggest a strong collective action in order to gain access. The study of Coen (2003) supports this finding.

The political spokesperson of GlaxoSmithKline stated that it is true that pharmaceutical corporations both participate on individual level as on collective level, but that it depends on the policy which action it takes. He argues that lobby on general policy concerning health and medicine control, policy frameworks like Intellectual Property Rights in the European Union is done by the European Federation of Pharmaceuticals Industries Associations (EFPIA) and that lobby on rules and regulations on specific medicine registrations is usually taken up individual pharmaceutical corporations.

This indicated that there cannot be made a distinction between either individual or collective action, as the framework of Hillman and Hitt (1999) suggests but that large transnational corporations participate on both levels depending on the kind of policy they want to influence.

However this study does not focus on specific rules and regulations on medicine registrations but on general policy in the framework of the European Neighbourhood Policy, this indicates a focus on collective participation. Therefore the analysis of the current study shifts from the individual corporations to the European Federation of Pharmaceutical Industries and Associations (EFPIA)

The EFPIA will be examined on CPA in order to determine the impact of their political activities on the development of European external policy and especially on the Intellectual Property Rights.

The next paragraph presents some background information of the EFPIA in order to determine its CPA strategy towards the European Commission.

The European Federation of Pharmaceuticals Industries Associations (EFPIA)

The representation of this collective action of the pharmaceutical organisations is done by the EFPIA, of which GlaxoSmithKline, Novartis and Sanofi-Aventis are committed members. The EFPIA is an association representing 31 national pharmaceutical industry associations and 44 leading pharmaceutical companies, of which GlaxoSmithKline, Novartis, Sanofi-Aventis are among the most influential members. The EFPIA has around 50 employees presenting the industry on a daily basis and its headquarter is, surprisingly, based in Brussels, Belgium.

The mission of the EFPIA is: *“to promote research and development and the best conditions for companies in Europe to bring to patients new medicines that improve human health and the quality of life around the world.”* (EFPIA 1, 2009)

According their website, this will guarantee industry’s continuous quest for better therapies and enable it to meet the growing healthcare expectations of today’s and tomorrow’s patients. However, a spokesperson of the association literally states that it is the associations aim to create a level-playing field which enables European Pharmaceutical corporations to grow and expand and in order to fulfil this function, the industry’s practices are focussed around four key areas, as they call them: the AIMS (Access, Innovation, Mobilization and Security) programme, which sets out an overall policy plan for the EFPIA.

Access refers to the need to continue to work towards speeding up regulatory approval and reimbursement processes for new medicine and removing government controls on medicines so that it does not become a hurdle to market access. Innovation focuses on the EFPIA efforts towards creating a strong science base in Europe by ensuring a high level of protection for Intellectual Property Rights. Mobilization refers to joining forces with key stakeholders, like the European government, to deliver modern and sustainable healthcare

and to fight damaging cost-containment policies. Security is about the need to strengthen the integrity and transparency of the pharmaceutical supply chain by addressing the safety concerns of parallel trade, counterfeiting and piracy. This AIMS strategy plan strongly emphasizes the implementation of strong Intellectual Property Rights protection, because they state that parallel trade (the purchase of medicines at low prices in one country and their resale at higher prices in another country, the counterfeit market and piracy) undermines the European pharmaceutical expertise, threatens innovation and results in trade distortions, but, according the EFPIA, their main concern is about the patients safety. (EFPIA 2, 2009)

The main website of the EFPIA states: *“Over the past 30 years, the association has been striving to shape the right framework for our industry to thrive and thus keep contributing to advances in science, innovation and patient wellbeing in Europe.”*

Especially how the EFPIA shapes this so called ‘right’ policy framework is of this study’s concern and the next paragraph will focus on the specific political strategies and tactics the EFPIA uses to influence the European policy makers. (EFPIA 2, 2009) The next paragraph goes deeper into the strategy of CPA used by the EFPIA in order to influence the policy making process.

Strategy of CPA European Federation Pharmaceuticals Industries and Associations.

According to Hillman and Hitt (1999) there are three main strategy types: information, financial incentive and constituency building, which all contain several tactics actors use to influence public policy. The political strategy of the actor using a relational approach depends on the resources at its disposal, two variables affecting the choice of political strategy can be determined; the credibility of the actor and the scale of the actor.

Due to the collective participation level of the three pharmaceutical corporations towards the European Union in this policy field, the strategy will be determined by looking at the practices of the EFPIA.

According the framework of Hillman and Hitt (1999) the credibility of the actor is the most important determinant of the effective shaping of public policy. Although Hillman and Hitt (1999) do not give a detailed definition about when a political actor is estimated credential, the sophistication, the scale and the professionalism of the EFPIA suggests that it is valued by the European Union as credential. This is confirmed by Anna Carin Krokst de, an EU commissioner on the ENP, she also sees the EFPIA is a credential organisation.

The second variable that determines the political strategy if actors, according Hillman and Hitt (1999), is its size. Representing a large number of people is essential to many types of

political tactics, the greater the actor, the greater it's potential for constituency building and the greater its resources for the financial incentive strategy and information strategy. The EFPIA is among the largest associations operating in Europe, it embodies 31 national pharmaceutical industry associations and 44 leading pharmaceutical companies, this indicates that the EFPIA is valued as a credential actor.

This means that the EFPIA can be characterized as both credential and large scale, according the framework of Hillman and Hitt (1999) this indicates a constituency building political strategy or an information strategy.

The constituency building strategy is supposed to be targeted at the general public in order to attempt to influence public policy by gaining support from the general public, its tactics include; grassroots mobilization of employees, customers, suppliers or other individual related to the corporation, public relations as advocacy advertising, press conferences on public policy issues and economic and political education.

The information strategy focuses on the dependency of the policy maker on the essential information possessed by the EFPIA and the consultation as expert in policy making. According the framework of Hillman and Hitt (1999) the tactics included in this strategy are lobbying, internal (by own employees) or external (by a hired organisation), reporting research and survey reports, commissioning policy think tanks and research groups, testifying as experts and supplying policy makers with position papers and technical reports.

The EFPIA stated that their 'cooperation' with the European Union is based on the exchange of essential information, instead that the EFPIA focuses on the constituency building to gain support from the general public. the tactics; supplying policy makers with position papers, research and survey reports and testifying as experts were among the most used tactics. The EFPIA also states that these are the most effective tactics to support the EU policy makers in order to reach the optimal public health.

It can be concluded that the large pharmaceutical organisations take collective action to lobby towards the European Union when having the aim to influence general overarching policy such as for example the implementation of liberal policy like strong Intellectual Property Rights. However, due to the fact that the framework of Hillman and Hitt (1999) is not up to date, this study will conduct a desk research on the lobby activities of the EFPIA in order to map the CPA of the EFPIA and to test the framework of Hillman and Hitt (1999)

5.3 The Corporate Political Activities of the EFPIA

The EFPIA is registered in the official interest representatives list of the European Commission. According to this list the category of activity of the EFPIA is; in-house lobbyists and trade associations. According to the framework of Hillman and Hitt (1999) their 'tactics' / lobby activities focus on; reporting of research results, testifying before government bodies as experts, commissioning think-tanks, supplying position papers or technical reports.

However due to the shift towards 'forum politics' and the PPP between the commission and the EFPIA it can be concluded that the framework of Hillman and Hitt (1999) is not up to date anymore. Therefore in the current study the lobby activities of the EFPIA will be categorised into three groups, because I believe this better classifies the CPA of associations nowadays.

The first group consists of the participation in high level exclusive forums, the second group contains the private-public partnerships (PPP) and the third group of CPA focuses on the consultation as experts.

One of the main aims of the EFPIA is to improve the competitiveness of the European pharmaceutical sector. They state that Europe has a great gain in health and economic terms from a strong and competitive European pharmaceutical sector, which they claim is one of the leading high technology industries in Europe. The EFPIA claims that they do not focus on this to benefit the pharmaceutical corporations, but: *"In the interest of patients, it is EFPIA's role to fight against short-sighted, misguided or ill-conceived public policy and to argue for adequate reward and sustainable funding based on medical judgements"*. (EFPIA 3, 2009)

According to the EFPIA there are a number of reasons why there is a necessity to improve the competitiveness of Europe's pharmaceutical industry:

- The pharmaceutical industry is a key-asset of the European economy, representing an estimated 20 per cent of total EU private investment and 3.5 per cent of EU manufactured exports. (most pharmaceutical exports go to less developed countries, such as Egypt)
- Since the early 1990s, the pharmaceutical industry in Europe has been losing competitiveness to in particular the US, India and China.
- Between 1990 and 2007 pharmaceutical investment in the US accumulated 5.2 times while in Europe it 'only' grew 3.3 times.

- There is rapid growth in the research environment in emerging economies such as China and India is supposed to decrease the growth in the pharmaceutical sector in Europe.
- The US still dominates the pharmaceutical field, accounting for 45.9% of world pharmaceutical sales against 31.1% for Europe
- The world pharmaceutical market was worth an estimated 484.130 million euro's, and thus highly important for the recovery from the current financial crisis.
- The fragmentation of the EU pharmaceutical market results in a lucrative parallel trade which benefits neither social security nor patients but it solely deprives the pharmaceutical industry (...). Parallel trade was estimated to have a value of 4.300 million Euros in 2006.

(EFPIA 3, 2009)

To achieve its goal, to improve Europe competitiveness in the world, the EFPIA participates in a number of close cooperation's with the European Commission, as stated before these cooperation's can be divided into three groups, 1 the establishment of exclusive high level forum, for example the High Level Group on Innovation and Provision of Medicines (HLGIPM), the High Level Pharmaceutical Forum (HLPF), The Pan-European Regulatory Forum (PERF) and 2 private-public partnership (PPP) between the EC and the Pharmaceutical Industry, for example the Innovative Medicines Initiative (IMI). The third group focuses on the EFPIA to be consulted as experts, which includes the development of policy recommendation, reporting research and survey reports, commissioning policy think tanks, research groups etc.

The following paragraph presents an overview of the different corporate political activities the EFPIA is involved in, the activities are classified in the three groups mentioned above.

First, some examples are given of the high level exclusive forums in which the EFPIA and the European Commission participate.

1 High level exclusive forums

The G10 high-level group on Innovation and the Provision of Medicines (HLGIPM)

According the European Commission the forum is aimed at the collaboration between pharmaceutical corporations and policy makers to achieve optimal results in European Union's health sector.. This initiative has been launched by the European Commissioner for Enterprises, the European Commissioner of public Health and the EFPIA, in 2001. The initiative presents an *innovative step designed to bridge the gap between pharmaceutical corporations and public health, and by sharing their different experiences, the group aims to*

define some key objectives that will serve as a policy lead for future European policy concerning public health. The group has three main tasks, the examination of the provision of medicines to patients, the analysis of the influence of the single market and regulations in this area and the consideration of how to stimulate and innovate the Pharmaceutical sector in the European Union. (European Commission, 2002)

The group consists of the following members which were all assigned by the European Commission and the EFPIA:

- Bernard Kouchner, Minister for Health, France
- Ulla Schmidt, Federal Minister for Health, Germany
- Erkki Liikanen, Commissioner for Enterprise and Information Society
- Lars Rekke, Secretary of State for Industry, Employment and Communications, Sweden
- Francisco Ramos, Secretary of State for Health, Portugal
- Angela Coulter, Chief Executive of the Picker Institute
- Ueli Müller, President of the Association Internationale de la Mutualité
- Chris Viehbacher, Chairman of Europe, GlaxoSmithKline Pharmaceuticals
- Alessandro Banchi, President of the Association of the European Self-Medication Industry
- David Byrne, Commissioner for Health and Consumer Protection
- Philip Hunt, Parliamentary Under Secretary of State for Health, United Kingdom
- Andrew Kay, Chairman of the European Generic medicines Association
- Jean-François Dehecq, President of the European Federation of Pharmaceutical Industry Associations

The final report of this forum, published in June 2002, recommended 14 practical steps to improve the competitiveness of the European industry and consisted of the following chapters;

- 1 Benchmarking: Competitiveness and Performance Indicators
- 2 Competition, Regulation, Access and Availability in Markets
- 3 Stimulating Innovation and Improving the EU Science Base
- 4 Patients
- 5 European Union enlargement

The first three chapters of the 14 recommendations all focus on the implementation of the Intellectual Property Rights. Especially the last chapter of the report on Enlargement, is interesting for the current study, this section mainly focuses on possible new member-states

of the European Union (in 2001) and gives recommendations about policy towards these new member states. Their recommendation was outlined as follows:

Rules should recognise the differences between public health, marketing and economic conditions between existing Member States and the accession countries; to that extent, a derogation governing parallel imports should be included in the accession treaties. (European Commission, 2002)

Their recommendations have not been unsuccessfully, the derogation was inserted into the Accession Treaty signed by the 10 new accession countries in April 2003. The purpose of this derogation was to limit parallel trade of counterfeited products and it enabled patent holders (the transnational pharmaceutical corporations) to prevent exports of these counterfeited products from new member states outside the European Union by introducing these Intellectual Property Rights. Compliance with this derogation was essential for accession and all newly accessed countries signed and adhered to the policy.

The parallel traders in a news article published after the Accession Treaty was made public, described the derogation as nothing more than an export ban designed to benefit the western transnational corporations at the expense of consumers. The G10 (as the HLGIPM is also called frequently) supported the new Accession Treaty and expressed appreciation that their recommendations were taken into account. According Health Action International most recommendations of these 'private-public forums' are directly translated into public policy by the European Commission. (Health Action International, 2008)

The High Level Pharmaceutical Forum (HLPF)

The pharmaceutical forum has been established in June 2005 and is a follow-up forum of the HLGIPM forum. The pharmaceutical forum is a high level political platform, supported by a Steering Committee and three expert Working Groups. The aim of this forum is to improve the competitive performance of the European pharmaceutical industry in the world.

The forum members are Ministers from all European Member States, Representatives of the European Parliament and the Pharmaceutical Industry and the members meet annually. The forum provides overall political recommendations for public policy and its main role is to provide strategic direction concerning health to the overall strategic direction of the European Union. Its final report, published in October 2008, stated that cooperation has demonstrated added value of working together in a consensus-based manner, leading to the adoption of strategic recommendations and priorities for future joint work.

According the NGO Health Action International the proposal of the European Commission reflect all recommendations of the Pharmaceutical Forum, although, according to them, it is

a high level elite whose legitimacy and constituency has been questioned. They state: *“This group has, since its inception, failed to operate in an open, transparent and democratic manner. Independent organisations and individuals with experience in providing health and medicines information to the public have been excluded from the Pharmaceutical Forum.”* (Health Action International, 2009)

After each high level forum, a document has been drawn up with the policy recommendations of the participants of the forum which then will be send to the European Union.

In 2009 10 recommendations, all with sub-recommendations, have been send to the European Commission. Below recommendation 10 is published, this recommendation urges the European Commission to take their recommendations into account.

Recommendation 10: Continued momentum on Pricing and Reimbursement

10.1 Member States, the Commission and relevant stakeholders are called upon to take into account the above recommendations in policy developments. Member States and the Commission, in cooperation with relevant stakeholders, should within the next 2 years undertake a first review of progress following the recommendations from the Pharmaceutical Forum in the field of pricing and reimbursement.

10.2 Further cooperation and exchange of experiences at EU level is needed. The Commission, in cooperation with Member States, is called upon to build on and bridge the work of the Pricing and Reimbursement Working Group and the Relative Effectiveness Working Group in order to evaluate the direct outcomes and follow up of the Pharmaceutical Forum.

All the recommendations of the high level pharmaceutical forum are about how to improve the situation within the European Union in order to increase its performance in the world. (Health Action International, 2009, European Commission 3, 2009)

TOPRA – The organisation for Professionals Regulatory Affairs; Annual symposium

TOPRA is the global organisation for professionals who have an interest in regulatory affairs in the healthcare sector. Especially their annual symposium and forum are supposed to have a major impact on policy makers due to the fact that the participants of this forum, mostly pharmaceutical associations such as EFPIA or some individual pharmaceutical companies, design and shape beneficial health policy.

“Our current membership is drawn from over 40 countries and members worldwide who are actively involved in delivering the services needed by busy regulatory specialists.”

TOPRA's annual symposium attracts high-level participants; Ministers, Heads of Agencies, key-officials from the European Commission, leaders from the Pharmaceutical Industry, such as the director of the EFPIA. The symposium focuses on topical issues in European and global regulatory affairs.

TOPRA's 5th annual symposium in 2008 was held in Budapest, Hungary. Top speaker were a.o. Stefan Fuehring, Unit F2 Pharmaceuticals, European Commission, Sibille Grub, Regulatory Manager, Novartis, Switzerland, Martin Terberger, Head of Unit Pharmaceuticals, European Commission, Thomas Heynisch, Unit Competitiveness in the Pharmaceuticals Industry and Biotechnology, European Commission, Jean-Hugues Trouvin, Chairman of the EFPIA.

The participants of the symposium reviewed the legislative changes by the European Commission on the following topics;

Innovation and Competitiveness

- How to boost innovation in the EU by introducing Intellectual Property Rights (IPRs)
- The role of agencies & common framework for regulatory agencies

Globalisation

- Protection against counterfeiting (to protect the IPRs)
- Global collaboration and trade agreements
- Industry expectations for EU system improvement
- EU resource constraints
- Transparency and collaboration between Industry and EC

TOPRA's 6th annual symposium of 2009 will take place in Stockholm, Sweden, but the speakers and regulatory topics which will be discussed have not been made public yet.

(EFPIA 1, 2008)

The African regulatory conference

The EFPIA co-hosted an African regulatory conference in February 2008 together with the Drug Information Association and the Southern African Development Community. Key topics discussed on this conference were;

- The research and development industry and its role in providing access to new medicines
- Global and regional regulatory developments (IPRs have been discussed)
- Recent development in EU regulations (with emphasize on IPRs)
- Anti-counterfeiting initiatives (to protect the IPRs)

- International Conference on Harmonisation Global Cooperation Group

The European Neighbourhood programme has also been discussed in the global and regional regulatory developments

Participants of the forum were directors and managers from the main European Pharmaceutical corporations, Sanofi-Aventis, Novartis, GlaxoSmithKline, Pfizer, Bayer Schering Pharma, AstraZeneca, even as many commissioners of the European Union and Government representatives from African countries, such as Egypt. The speakers on the conference, were only representatives from the European transnational corporations. (EFPIA 2, 2008)

The next paragraph gives an overview of the different private-public partnerships between the European Commission and the EFPIA.

2 Private – public partnerships

The Innovative Medicines Initiative (IMI)

The latest and most devoted partnership between the European Commission and the Pharmaceutical Industry is called the IMI. The IMI is stated to be a unique public-private partnership (PPP) between the pharmaceutical industry represented by the EFPIA and the European Commission.

The overall goal of the IMI is to strengthen the European pharmaceutical sector by addressing the challenges the Pharmaceutical Industry faces nowadays. The challenges according the IMI are; Insufficient research and development investment, technological complexity and research at European level is fragmented and tends to be located elsewhere. This poses a major threat on the competitiveness of Europe's high tech pharmaceutical industry.

To address these challenges the IMI aims to establish a close relationship between the pharmaceutical industry and the European Union to *use the competencies and resources from the public and the private domain.*

The overall goal of this PPP is to modernize the development of medicines, to expand European expertise by reversing the brain drain towards North America and to enhance Europe's economy by strengthening the competitive position of the European pharmaceutical industry.

The European Commissioner Janez Potocnik emphasized the ambitious goals of the IMI by stating: *"IMI is about pooling public and private efforts so that Europe can be a big player. We want to be the best in the world and become a champion's league for pharmaceutical*

research by moving from individual project-funding, to joint programme funding involving industry and public stakeholders." (European Communities, 2009)

The governing board of the IMI consists of ten board members, of which 5 represent the European Commission and 5 from the EFPIA which represent the pharmaceutical corporations.

From the corporation's side:

- Brian Ager (EFPIA Director General)
- Andreas Busch (Head of Global Drug Discovery, Bayer HealthCare)
- Jackie Hunter (Senior Vice President , GlaxoSmithKline)
- Carlo Incerti (Head of R&D Europe, Genzyme)
- Jonathan Knowles (President of Group Research, F. Hoffmann-La Roche)

From the European Commission:

- Daniel Jacob (DG Research, Deputy Director-General)
- Ruxandra Draghia-Akli (DG Research, Director)
- Franco Biscontin (DG Research, Director)
- Georgette Lalis (DG Enterprise, Director)
- Andrzej Jan Rys (DG Sanco, Director) (European Communities, 2009)

Arthur Higgins the President of the EFPIA underlined the need to join forces with 'partners' because Europe was once known as the "world's pharmacy", until 1998 7 out of 10 new medicines originated from Europe, today this has fallen to about 3 out of 10. According to him, the IMI will boost Europe's competitiveness in the pharmaceutical innovation and will foster Europe as the most attractive place for pharmaceutical R&D. (EFPIA 4, 2009)

The third group of CPA of the EFPIA consists of the consultation as experts. The following paragraph presents some examples of the EFPIA in an expert role.

3 The EFPIA consulted as experts

The Agreement of transparency and collaboration in the development of regulatory documents – legislation, policy and scientific guidance documents

A working group of the EFPIA is currently working on the final version of the agreement. However, the positioning paper has already been published and contains the following information.

The agreement consists of two parts, part A *Legislation and Policy* and part B *Scientific and Therapeutic Area Guidance Documents*

According the EFPIA, the primary objective of the agreement transparency for the research-based pharmaceutical industry is to create an environment of trust and collaboration that will

increase the predictability for a new medicinal product throughout the scientific evaluation, the registration procedure and the entire lifecycle of the medicinal product.

The agreements gives the following procedures that must be introduced in order to improve the transparency and collaboration on the elaboration of legal policies and regulatory documents between the Commission and the Pharmaceutical Industry;

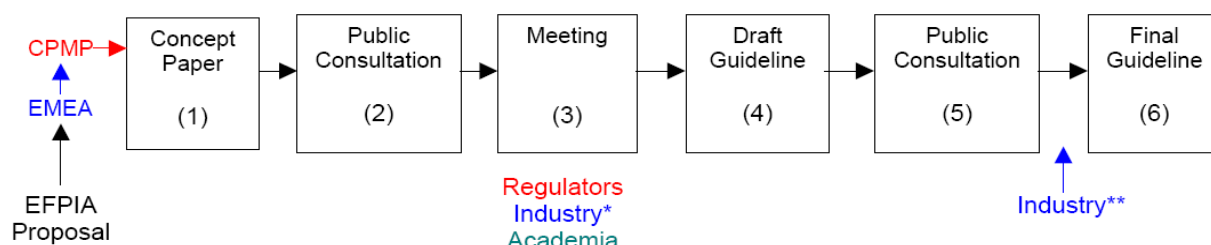
- *a concept paper should be written announcing a new issue, or that a major change to present legislation will be done*
- *The concept paper should be released for public consultation to the EFPIA for a period no less than 3 months*
- *If there are divergent views on the concept paper, there should be an opportunity to discuss the change in policy in a meeting, where formal minutes should be prepared by EFPIA and endorsed by the European Commission.*
- *If the proposal significantly differs from the position agreed in the meeting, justification and a new opportunity to discuss the differences must be given. (...) (EFPIA, 2004)*

In order to evaluate the consequences for the pharmaceutical industry and the effect of the implementation of new regulation, the EFPIA states in this agreement that the European Commission should to a higher extend than at present consult and collaborate with the EFPIA to get the best outcomes of the regulatory policies. In the agreement the EFPIA gives conditions;

- Access to documents prior to meetings and decisions with opportunity for pre-meetings or at least the opportunity to send Industry views in issues prior to important meetings.
- Full minutes and press releases from authority meetings must be send to the EFPIA.

According the agreement the European Commission has expressed an interest in meetings with Industry representatives prior to or in connection with the review of proposed new or changed legislation because: *“a meeting with interested parties prior to the drafting a new text offers the opportunity of exchanging views and achieving understanding of any differences among the parties.”*

Figure 2; EFPIA Proposal for Transparency and Collaboration in the Development of Regulatory Guidance Documents- schematic Diagram



* representation should be from Companies with relevant scientific and technical expertise
 ** where there is a major divergence from consensus opinion

Source; <http://www.efpia.eu/Content/Default.asp?PageID=559&DocID=1370>

This figure shows how, according to the EFPIA, the development of new legislation of the European Commission must look like. Policy should be initiated by the EFPIA because they are the experts in the field. The EMEA (European Medicine Agency) a decentralised body of the European Union which operated in market authorisation for new medicine and the CPMP (Committee for proprietary medicinal products) the research and scientific base of the EMEA should draw up a concept paper which should be published for public consultation. Next a meeting between regulators, the industry and academia should be organised to write a draft guideline, again this should be published for public consultation after which the final guideline should be drawn up, where there is a major divergence between the different parties involved, the industry should interfere to draw up the final guideline.

The role of the regulator is designed to be very small, according to the EFPIA this is because the knowledge and expertise is in the hands of the Industry. Although this document is not formally signed by the European Commission, it does show the growing political power of the pharmaceutical industry because they possess resources essential for policy makers. (EFPIA, 2004)

EFPIA's Policy principles for a competitive healthcare Environment, Policy recommendation for the European Commission, June 2007

In this document the EFPIA sets out a policy framework for the European Commission to enhance the competitiveness of the healthcare environment.

According to the EFPIA these policy recommendations are important because: *“it meets the needs of all stakeholders, patients (who want rapid access to the best treatments), payers (who want to deliver quality healthcare) and the Industry (which want to secure a return on investment).”*

The paper contains 14 policy recommendations for health policy, including the following;

- Government efforts in meeting healthcare priorities should be supported by improved and earlier dialogue

- Industry and government should establish more structured forms of dialogue

- Pricing and reimbursement policies should reflect the true value of “innovation”

“Where payers seek value for money, pharmaceutical companies require reward for delivering value. The reward society gives to an innovative medicine should reflect the value it delivers to patients, healthcare systems, and society at large.”

- Market pricing for non-reimbursed medicines should be allowed

“Governments should only negotiate for the prices of what they purchase or reimburse; sales outside the state reimbursement system should be subject to the normal rules of market pricing. This will help to manage problems of market distortion and parallel trade.”

- Distribution systems should operate efficiently

“As a general rule, we believe that free market dynamics are the best way to ‘regulate’ prices along the pharmaceutical value chain, including ex-factory prices. Free market conditions for distribution services should always go hand-in-hand with free market conditions for pharmaceutical manufacturers. Where controls are imposed on margins, the structures of the wholesale and retail margins should reflect economic reality as much as possible when compensating for the services provided.”

- Intellectual Property (IP) should be respected

“A strong legal framework on intellectual property rights creates a desirable environment for research and development. Enactment and enforcement of international patent protection and registration data exclusivity to reward innovation and allow funding of R&D in an era of escalating technology development costs is a key factor.” (EFPIA, 2004)

(EFPIA, 2007)

EFPIA; Policy recommendations European Commission Future pharmaceutical for human use in Europe, 2006

The EFPIA has set out a number of comments on the policy framework designed by the European Commission called the; *Communication on the future of the Single market in pharmaceuticals*, which, according to the EC, intends to ensure the appropriate coordination of

EU policies and regulatory initiatives affecting pharmaceuticals. The EFPIA response outlines a number of key recommendations that they consider to be essential for achieving a global competitive pharmaceutical industry. Some recommendations;

- *Endorsement and implementation of the principle of non extra-territoriality of Member States' price controls (the scope of price controls, where they exist, should be limited to the territory of the country concerned);*
- *Maintenance of high standards of intellectual property protection within EU and worldwide by ensuring the implementation and enforcement of the revised Community legislation on pharmaceuticals in the EU-27 Member States, multi-lateral trade agreements and by addressing existing trade barriers (including insufficient or deficient intellectual property) that restrict access to innovative medicines on non-EU markets;*
- *Reform of the legal framework (before 2009) of member-states and partners (including neighbourhood member countries in order to provide legal certainty to the industry in the provision of information on its medicines.*

(EFPIA, 2006)

The EFPIA states on their website that the association supports the emphasis put by the European Commission on External Trade and Competitiveness for enhanced growth and jobs by external trade as a way to improve European business opportunities.

According the EFPIA it is necessary to enhance bilateral agreements to ensure the competitiveness of the European pharmaceutical industry as developing countries emerge as strong trading partners and because of this the EFPIA states that they work closely with the European Union to ensure fair access to global markets for its member companies. They welcomed the publication of the Commission's new Trade and Competitiveness strategy in October 2006, called: *"Global Europe; Competing in the world, the way forward"*. This strategy is supposed to create an opportunity for Europe in the globalised economy, *"by liberalising international trade further, opening markets in which European companies can compete and by providing new opportunities for growth and development."*

In this strategy report it is stated that the European Union's trade policies (besides providing new opportunities for EU companies to grow) seeks to contribute to a range of the Union's external goals, in particular development and neighbourhood objectives, however in the European Neighbourhood Policy the objective for the growth of EU corporations is nowhere to be found.

Furthermore the strategy emphasizes: *"the EU has a strategic interest in developing international rules and cooperation on competition policies to ensure European firms do not suffer in third countries from unreasonable subsidisation of local companies or anti-*

competitive practices like counterfeiting or piracy." Therefore it is EFPIA's aim to emphasise on and to recommend the European Commission to implement strong policy on Intellectual Property Protection. (European Commission, 2006)

The EFPIA states that the new external strategy of the EU needs to include the development of meaningful bilateral agreements on free trade agreements with key partners with the aim to implement and enforce a strong Intellectual protection (IP) agreement. This will be a means to promote the research base and knowledge economy and will enhance business sector in the EU. Besides, *"the External strategy of the EU will result in pharmaceutical policies that effectively promote and reward innovation, provide an open and predictable environment for corporations and it will establish a favourable regulatory policy framework."* (EFPIA 5, 2009)

Below some other examples of document written by the EFPIA for the European Commission in order to *establish a favourable regulatory policy framework*.

- EFPIA response to European Commission's DG Sanco discussion paper of consumer collective redress
- Think Thank meeting June 2009 about Update and exchange of views on current EU policy developments
- EFPIA Position Paper on European Commission's Proposals on Pharmacovigilance
- EFPIA Position Paper on European Commission's Proposal on Counterfeit Medicinal Products
- EFPIA Position Paper on European Commission's Proposal on Counterfeit Medicinal Products
- EFPIA Response to DG SANCO's Green Paper on consumer collective redress
- EFPIA's Response to DG Competition's Preliminary Report
- EFPIA Position Paper - Commission's Proposal on Information to Patients
- EFPIA recommends implementing European Commission's proposals to enhance patient safety without any further delay
- EFPIA response to EC consultation on the review of existing legislation on VAT reduced rates
- EFPIA Response to the European Commission Public Consultation in preparation of a legal proposal to combat counterfeit medicines for human use
- European Commission Public Consultation on a legal proposal on Information to Patients - EFPIA Contribution (April 2008)
- EFPIA's Statement on Antitrust Inquiry launched by the European Commission

- EFPIA calls on EU Competitiveness Council to address systemic weaknesses identified in Europe's Competitiveness Report

The framework of Hillman and Hitt (1999) has been used to determine the political strategy of the three dominant pharmaceutical corporations in Egypt and the study of the CPA of the EFPIA has shown that the EFPIA uses all CPA mentioned in the collective information strategy mentioned by Hillman and Hitt (1999).

However, due to developments in CPA overtime, the framework of Hillman and Hitt (1999) is not up to date anymore. Private-Public Partnerships and high-level forums are now among the most important lobby activities of corporations. Although the framework is still very valuable to determine CPA of the pharmaceutical corporations in the current study, in my opinion Private-Public Partnerships and high-level forums should be added to the information strategy of Hillman and Hitt (1999).

The framework of Hillman and Hitt (1999) and the study of policy documents of the EFPIA both indicated that European Pharmaceutical Transnational Corporations use a collective political information strategy towards the European Commission. The political action of the EFPIA show a strong CPA for the implementation of a strong and effective Intellectual Property Rights policy framework, almost all political activities focus on this policy arena.

The next chapter will use the political strategy determined by the framework of Hillman and Hitt (1999) to investigate the impact on European Policy making and the influence of the pharmaceutical corporations.

Chapter 6 The Impact of the political strategy of the EFPIA on the policy making of the European Commission

In order to find out whether the pharmaceutical Industry actually shapes the external policy by using political strategies towards the European Commission, the impact and influence of these political strategies must be examined, so as the power-relations between the European Commission and the Pharmaceutical sector.

Measuring impact of corporate political activity is a major challenge because it is not an easy task to assess influence and power. Measuring impact of a certain corporate political action (CPA) depends very much on the types of actors and the political culture. The diversity and complexity of CPA makes reliable generalisations very difficult.

There has been some research on the impact of CPA the past decades, however most of this research focused on case studies in the United States. Ramirez and Eigen-Zucchi (2001) found that the corporate lobby played a key role in the passage of the Clayton Act in 1914, even as that Ramirez and de Long (2001) found that the CPA of banks determined the voting behaviour of Senators in support for the public choice view.

Hillman (2004) states that trade policy is also an arena in which research on the outcomes of CPA has focussed. The study of Schuler, Schniets and Baggett (2002) measured the political strategies used by US corporations to influence foreign trade agreements. They found out that corporations making soft money contributions to the Democrats under the Democratic Clinton Administration had the most influence on the policy making process. However these studies mainly focus on the political system of the United States and financial campaign contributions.

In Europe, on the other hand, the financial incentives strategy of CPA is hardly used, and lobby focuses more on the information strategy.

There has been some research on the corporate political action of the pharmaceutical industry. Castellblanch (2003) found in this study that the impact of the CPA of pharmaceutical companies to defeat state legislative initiatives to regulate prices depend on the degree of grassroots support organized against them. When organised consumer groups opposed the pharmaceutical companies the impact of their CPA decreased heavily compared to when opposition was not organised and mobilized. Pracht and Moore (2003) also examined the CPA of the Pharmaceutical corporations, they looked at organized pharmaceutical corporations and their influence on drug reimbursement expenditures across State Medicaid Programs in the United States. As mentioned before these studies are all based on case-studies and do not give an overall framework for the indication of influence and impact of CPA on the policy making process. Pieter Bouwen, on the other hand, presents a completely different approach.

6.1 Framework; the logic of access, P. Bouwen (2002)

Pieter Bouwen (2002) acknowledged the difficulties when scientifically measuring impact of CPA, therefore he takes an alternative approach. Instead of focussing on influence and impact, the access of corporations to the EU institutions is studied. He argues in his study that measuring access is a good indicator of influence and impact because gaining access to EU policy makers is a *condition sine qua non* to exercise influence in the European policy arena. He developed a theoretical framework to study the interaction between the

corporations and the EU institutions in an EU policy Arena. With this framework he seeks to improve the understanding of the influence of corporations on policy making by using CPA.

Pieter Bouwen (2002) states that the key to understanding the lobbying activities of corporations in the European Union is to consider the relation between the private and public actors as an exchange relationship between two groups of interdependent actors. Exchange theory and resource dependence are the core of his framework.

He concludes that the most highly evolved corporations developed a monopoly positions in market knowledge and expertise on which the commission depends, on the other hand the corporations depend on corporate friendly legislation. This interdependence allowed the development of business policy networks that facilitated the 'insider' status at the European Commission's policy making, There has been much competitiveness between rival corporations for access to restrictive forums and private-public cooperation, this development paved the way for powerful European Associations which collectively represent the business interests of the European Corporations, like for example the EFPIA.

Private and public actors become interdependent because they need resources from each other. Impact of CPA can thus be determined by looking at the resources between the European Commission and the European Associations like the EFPIA.

The crucial resource required by private actors is access to the European institutions, in return the European institutions demand resources that are crucial for their own functioning, which he calls; 'access goods'. An access goods is an *information good* provided by the private actors to the EU institutions in order to gain access in the policymaking process. The framework of Hillman and Hitt (1999) has shown us that the Pharmaceutical Industry uses an information strategy to influence the policy makers, this makes the theory of P. Bouwen relevant for the current study to determine the impact of the CPA of the EFPIA.

P. Bouwen (2002) distinguishes three kinds of 'access goods', of which information is the basic good, which means that they possess access goods and use it in their CPA. The three access goods are presented in the table below.

Table 4 Access goods, framework P. Bouwen (2002)

Three kinds of access goods, Framework P. Bouwen (2002)

1 The access good; *Expert knowledge (EK)*

This access good concerns the expertise and technical know-how required from the private sector to understand the market. This kind of information is indispensable in developing effective EU legislation in a particular policy arena. Example; The pharmaceutical corporation Novartis provides the European Commission with advice on..

2 The access good; *Information about the European Encompassing Interest (IEEI)*

This access good concerns the information required from the private sector on the European Encompassing Interest. The EEI relates to the needs and interests of a sector in the European economic arena. Example; the European Federation of Pharmaceuticals Industries Associations (EFPIA) provides the European Commission with advice on...

3 The access good; *Information about the domestic Encompassing Interest (IDEI)*

This access good concerns the information required from the private sector on the Domestic encompassing interest, information on a sector in the domestic market. Example; the Dutch association of pharmaceuticals provides the European Commission with advice on...

The supply of access goods

The consultation mechanism of EFPIA, in order to represent the sector, allows them to become experts the European and Global Pharmaceutical Market which enables them to provide the European Commission with quality information. Compared to national associations or single private firms the European Associations have a better *access good* towards the European Union when speaking about the global or European pharmaceutical market. Single corporations possess the access good *Expert knowledge* because they are closer to the market and do not need to build constituency among the ones they represent. National associations possess a better information access good on national markets. The table below shows the different levels of corporations and the access goods which they provide best. The European Association provides the best IEEI, followed by EK and IDEI.

Table 5; Supply of access goods, framework P. Bouwen 2002

| | Best provided access good | Ranking of capacities to provide access goods |
|------------------------|--------------------------------|---|
| Individual corporation | EK | EK – IDEI - IEEI |
| European Association | IEEI | IEEI – EK - IDEI |
| National Association | IDEI | IDEI – EK - IEEI |
| Consultant | EK (client indiv. corporation) | EK – IDEI - IEEI |
| | IEEI (client Eur. association) | IEEI – EK - IDEI |
| | IDEI (client Nat. association) | IDEI – EK - IEEI |

The demand of access goods

The demand of *access goods* from the European Commission determines the degree of access of the European Association. According the theory of P. Bouwen (2002) is the EC focused on what he calls 'promotional brokerage', trying to move the member states to accept policies that go beyond traditional an intergovernmental cooperation. To play this role the European Commission needs Information about European Encompassing Interests (IEEI). The drafting of proposals takes place in working groups where expert knowledge on the specific sector is indispensable for the development of a proposal. This together with the understaffing and severe budget constraints in the commission, the institutions states that it is dependent on external resources to obtain the necessary expertise.

The European commission is less interested in IDEI or EK because in policy development the interest of the European Union as a whole has preference over national interests or single corporations' interests.

Table 6; Demand of access goods, framework P. Bouwen 2002

| | Most needed Access good | Ranking of dependencies |
|----------------------|----------------------------|-------------------------|
| European Commission | IEEI | IEEI – EK - IDEI |
| European Parliament | IEEI | IEEI – IDEI - EK |
| Council of Ministers | IDEI | IDEI – EK - IEEI |

The framework of P. Bouwen points out that European Associations have the most access at the European Commission because the European Commission needs the information that the European Associations possess, because the access good the European Association

best possesses is IEEI, which is also the access good the European Commission needs most. This indicates an influential CPA the European Associations, because they possess resources the European Commission needs.

6.2 The access of the EFPIA at EU policy making arena

The overview of the lobby activities of EFPIA, in the last chapter, show that they developed a high degree of access at the European Commission. There are many high-level forums and private / public partnership between the EC and the EFPIA. The EFPIA interfered many times in the decision making process by revising policy proposals and operated as experts in many working groups, symposia and conferences. This indicates that the corporate political action of the EFPIA has a great impact on the policy making of the European Commission.

However, I believe that nowadays, the framework of P. Bouwen is incomplete. I believe that P. Bouwen was right when he stated that the relation between the private and public actors is an exchange relationship between two groups of research dependent actors. However, I believe that the private actors did not establish the degree of access solely by providing the expert information the European Commission needs. Nowadays there are many NGO's and other private actors with expert knowledge on specific topics, but for them to access the European Commission stays extremely difficult compared to the close relationship of the corporate private actors and the EC.

I believe that the corporate private actors gained this insider's status and access to the European Commission because the European Union, in general, needs another resource from the corporations. Besides specific expert knowledge (EK) the European Union needs another essential resource from the transnational corporations in general, which is economic growth and jobs.

The European Union is dependent on the transnational corporations to remain an economic world player, to constitute an economic growth and to deliver jobs for the working force. The *Lisbon strategy for growth and jobs* of the European Commission clearly shows the dependency on the main sectors in order to achieve the European Union aim to: *secure a prosperous, fair and environmentally sustainable future for Europe*. This *growth and jobs strategy* claims that it will ensure that our economy is well positioned to take advantage of the opportunities offered by globalization. According to the European Commission growth and jobs are a prerequisite for being able to maintain and increase Europe's prosperity and this for preserving and enhancing our social models. One of the main goals of the European Union is strengthening the competitiveness of the European economy in the world, and the

main players on which that responsibility rests are the transnational corporations having their business operations based in the European Union.

The European pharmaceutical sector claims that is a key asset and an engine of the economy of the European Union. The EFPIA states on its website that the Industry makes a considerable contribution to achieving the Lisbon objectives of economic growth, more jobs and higher living standards for European citizens, this explains the insider's status of the EFPIA and the access they have to the European Commission. The table below shows that the pharmaceutical industry in Europe has the highest research and development investments in order to compete globally.

Table 7; Overview market sectors European Union

| Sector | R&D investments (€ million) | Share R&D investments (%) | R&D/Sales ratio (%) |
|--|--------------------------------|------------------------------|------------------------|
| Pharmaceuticals & Biotechnology | 71,409.8 | 19.2 | 16.1 |
| Technology hardware & equipment | 68,154.1 | 18.3 | 8.5 |
| Automobile & parts | 63,234.4 | 17.0 | 4.2 |
| Software & computer services | 26,594.7 | 7.1 | 9.7 |
| Electronic & electrical Equipment | 26,049.2 | 7.0 | 4.1 |
| Chemicals | 16,427.7 | 4.4 | 2.8 |
| Aerospace & Defence | 15,133.7 | 4.1 | 4.4 |

Source: The 2008 EU Industrial R&D Investment Scoreboard - Joint Research Centre - Directorate General Research - European Commission

These figures show that the pharmaceutical industry is one of Europe's major high-technology industries, which directly employs an estimated 4 million people and which generates a substantial trade surplus of about an estimated 36.000 million euro's in 2008 and almost a quarter 24.1 %% of the EU's high-tech experts are innovative pharmaceutical product. This gives an indication of Europe's dependency on the pharmaceutical industry for keeping Europe globally competitive and, as the EFPIA states on their website, *"it will also contribute to economic growth, to more and better jobs, and thus guarantee high living standards for current and future generations of European citizens."* (EFPIA 3, 2009)

Globalisation caused that geographical areas have to compete with each other more and more in order to attract and keep the TNCs generating economic growth and jobs for their citizens.

The theory chapter of this thesis has provided us with knowledge about the problematic power relations between TNC's and Governmental institutions. TNC are increasingly global and on the move. They can easily access new emerging markets while leaving others in decay. This power to leave and go to cheap emerging markets puts pressure on the European Union to remain an attractive place for TNC's. Because of this dependency on their corporate activities for the economic growth in Europe the TNC gain access to the European policy making arena, because corporate growth means European Union's growth. I believe that the transnational corporations are not necessarily dependent on the European policy, but the EU is more dependent on the corporations as drivers for growth and jobs in order to remain an attractive place for corporate activity to keep the TNCs from moving towards emerging markets, nowadays especially in Asia.

This power enables the European transnational corporations to influence the policy making process of the European Commission, by fulfilling an expert role to advice the EC how to remain competitive in the global economy by implementing favourable policy for TNCs.

The European Commission and the TNCs have the same goal, increasing the competitiveness of the European pharmaceutical Industry in Europe and especially growth and jobs. The Pharmaceutical corporations want to grow bigger and become more powerful, as well as that the European Union wants to remain competitive, grow economically and increase the number of jobs in Europe.

This is backed up by in literature discussed in the theory chapter of this thesis. According to Hymer (1970) TNCs should be seen as an instrument by which western law politics and foreign policy are enforced on dependent nations. He believed that the transnational company could not be seen as political actor, because he stated that the interests of the firm are identical to the country.

I do agree that most of the aims of the European Commission and the Pharmaceutical Industry are identical, however I believe that since the 1970s, when he wrote his study, the power of the transnational corporations have grown enormously amongst others due to globalisation, this enabled them to influence policy makers as drivers of economic growth and jobs. The CPA of the EFPIA showed their insiders status in the European Commission and the framework of Bouwen (2002) showed EC's dependency on the expert knowledge of corporations. This both indicates a strong political power of the EFPIA.

The Pharmaceutical Industry strongly stresses the implementation of Intellectual Property Rights protection in European policy and according the framework of P. Bouwen European Associations as the EFPIA have much influence in the policy making process of the European Union.

The next chapter explores the external European neighbourhood strategy towards Egypt in order to investigate whether IPRs have been implemented and whether the corporate lobby for strong IPRs have been successful.

Chapter 7 The European neighbourhood strategy towards Egypt

In the past chapters Egypt's historical relations with Europe have been described, the booming pharmaceutical industry in Egypt has been explained by the implementation of liberal policy, the dominant European pharmaceutical corporations have been highlighted and the impact of their CPA on the policy making of the European Union has been discussed.

The next chapter will give an overview of the relations between Europe and Egypt nowadays, in order to see resemblances between former colonial policy and the European neighbourhood strategy towards Egypt and to show the impact of CPA on the development of external policy.

The relations between the European Union and Egypt nowadays can be divided into two main policy areas;

- The Euro-Mediterranean Partnership, including the Barcelona Declaration and the bilateral Association Agreement.
- The European Neighbourhood Policy and its bilateral Action Plans and country Strategy Papers, which include trade and financial cooperation.

Besides, there are a number of general external strategy policy papers, trade regulations and other kinds of agreements which also include Egypt, many of them are the rules and regulations under the World Trade Organisation, of which the European Union is a very committed member.

In the current study the *European Neighbourhood Strategy* is used as a overall term which include both the agreements under the European Neighbourhood Policy, the Euro Mediterranean Partnership and all other formal agreements between the European Union and Egypt,

First a short introduction of the Euro-Mediterranean Partnership.

7.1 The Euro-Mediterranean Partnership

The Euro-Mediterranean Partnership started in 1995 with the Barcelona Process Conference. The partnership was initiated by the European Union in order to strengthen its relations with the countries in the Maghreb and Mediterranean region. Nowadays, the Partnership has 43 members of which 27 are European Union member-states and 16 partner countries, Picture below, shows a geographical overview of the members of the partnership.

Picture 1; Members of the Euro-Mediterranean Partnership



According the official website of the Euro-Mediterranean Partnership, the partnership has the following goals;

- Increasing the people to people contact through social, cultural and human partnership which focuses on encouraging the understanding between cultures and exchanges between societies.
- The creation of a common area of peace and stability through the reinforcement of a political and security dialogue.
- The construction of a zone of shared prosperity through an economic and financial partnership and the establishment of a free-trade area.

(European Commission 1, 2009)

The Association Agreement

The EU-Egypt Association Agreement is modelled on the Euro-Mediterranean Partnership Agreements between the EU and its southern neighbours and forms the legal basis for that

partnership. The agreements main focus is on the rules and regulations concerning free trade arrangements and the opening up of the Egyptian market for greater liberalisations of investment and trade. The Association Agreement was signed on June 2001 but entered into force on June 2004, when it replaced the earlier Agreement between EU and Egypt of 1977. To implement the different actions which were included in the Association Agreement the MEDA programme was developed.

(European Commission 1, 2008, European Commission 2, 2008)

The MEDA programme

The MEDA programme was developed to implement the goals set by the Association Agreement. The MEDA programme is the financial instrument of the Euro-Mediterranean Partnership, which offers technical and financial support to implement economic reform in the Mediterranean partner countries. Mediterranean partner countries are Algeria, Egypt, Jordan, Lebanon, Morocco, Syria, Tunisia, Turkey and the Palestinian Authority.

In 1995 it was decided that the individual bilateral agreements between countries of the EU and Egypt had to be bundled into an overarching agreement with clear goals. These goals were set out in the Barcelona Declaration of 1995, and were included in the so called Association Agreements which were bilateral agreements for each participating country.

The MEDA programme was developed in 1996 which was called the MEDA Regulation, in 2000 this regulation was amended and changed. Therefore nowadays the programme is divided into MEDA I and MEDA II.

Under MEDA I (1996 – 1999) a total of an estimated 700 million was made available to support Egypt's transition to a liberal market economy and to develop the countries private sector.

The following programmes were being financed by MEDA I in Egypt (between 1995-1999);

- The Industrial Modernisation Programme (€250 million)
- Social Fund for Development – Phase II (€155 million)
- Health Sector Reform Programme (€110 million)
- Education Enhancement Programme (€100 million)
- EIB interest rate subsidies for environmental projects (€33 million)
- EIB Risk Capital Guarantees (€29 million)

The most important programme; The Industrial Modernisation Programme was implemented in order to enhance the business environment and private sector development, and focussed on the fulfilment of benchmarks in the banking, fiscal and business sector and a major focus lied on the creation of a credit guarantee mechanism to assure the safe access to credit by private enterprises on the Egyptian market. According the European Commission; “*The main*

objectives of the Industrial Modernisation Programme are to promote GDP and economic stability in the context of continued economic liberalisation.” (European Commission 1, 2001)

The MEDA II programme, adopted by the European Council in 2000, focused even more on economic reform. The EU committed an estimated 350 million euro's to finance the following programmes in Egypt;

- Technical and Vocational Training Reform (€33 million)
- Trade Enhancement TEP-A (€20 million)
- Trade Enhancement TEP-B (€40 million)
- Trade Enhancement TEP-C (€6 million)
- Integrated Local Development – South Sinai (€64 million)
- Social Development and Civil Society (€20 million)
- Financial and Investment Sector Co-operation (€50 million)
- Spinning and Weaving Sector Restructuring (€80 million)
- Higher Education – Tempus (€11 million)
- EIB Interest Rate Subsidies (€25 million)
- Promotion of the Association Agreement (€2 million)

All reform programmes focused on the strengthening and liberalisation of the economy, for example

The Trade Enhancement programme TEP A focused on the growth of Egyptian trade and export activities. The programme aimed at the following areas;

- 1 Strengthening of the Commercial Representation Service and its network of commercial attaches
- 2 Implementation of the trade-related aspects of the EU/Egypt Association Agreement
- 3 Implementation of WTO related issues
- 4 Export promotion activities carried out by Ministry of Foreign Trade
- 5 Trade facilitation.

(European Commission 2, 2001)

The *Financial and Investment Reform Programme* aims at the modernisation of the Egyptian economy by reforming the banking system to enhance the lending instruments and to guarantee access to credit. It also implemented various projects to reform Egypt's private and company law.

According the EU delegation in Egypt; *“the MEDA II programmes are actively supporting the Egyptian government in the implementation of the EU/Association Agreement; the process of economic transition from a command economy to an efficient and liberalised free market*

economy; and stability and sustainable and balanced socio-economic development.”

(European Commission 2, 2001)

(Delegation of the European Commission, 2002, European Commission 2, 2008)

7.2 The European Neighbourhood Policy

The European Neighbourhood Policy (ENP) is a project initiated in 2003 and implemented in 2005. It is a policy that is seen as a partnership between membership of the EU and the wider world, with the aim;

“The ENP avoids the emergence of new dividing lines between the enlarged EU and our neighbours and instead strengthening the prosperity, stability and security of all concerned.”

(European Commission 2, 2009)

The European Neighbourhood Policy (ENP) applies to the EU's immediate southern neighbours; Morocco, Algeria, Tunisia, Libya, Egypt, Occupied Palestinian Territory, Israel, Lebanon, Jordan and Syria and eastern neighbours; Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. Although Russia is also a direct neighbour of the EU, it is not involved in the ENP.

The December 2003 European Security Strategy states; *“even in an era of globalisation, geography is still important. It is in the European interest that countries on our borders are well-governed. Neighbours who are engaged in violent conflict, weak states where organised crime flourishes, dysfunctional societies or exploding population growth with serious health problems on its borders all pose problems for the European Union.”*

The ENP on southern neighbours builds upon the Euro Mediterranean Partnership and helps to fulfil the provisions and aims of the Association Agreement (European Commission, 2003)

The central element of the European Neighbourhood Policy is the bilateral ENP country specific Action Plan. These plans set out a framework of political and economic reforms. The next paragraph is a quote out of the Egyptian Action Plan;

“Implementation of the Action Plan will also help, where appropriate, further integration into European Union economic, social and technological structures and significantly increase the possibility to advance the approximation of Egyptian legislation, norms and standards to those

of the European Union in appropriate areas, thereby enhancing prospects for trade, investment

and growth.” (Commission of the European Communities, 2004)

Generally the Action Plan for Egypt focuses on the following action points;

- Enhanced political dialogue, economic and social development and reform
- Trade related issues, market and regulatory reform
- Transport, energy and environment
- Migration, social integration, justice and security
- Science and technology, research and development, information society and audiovisual cooperation
- People-to-people contacts.

The actions in the Action Plan for Egypt are general policy guidelines, which form the lead for the projects financed under the European Neighbourhood and Partnership Instrument (ENPI).

(Commission of the European Communities, 2004)

The European Neighbourhood and Partnership Instrument (ENPI)

Until 2006 the practical projects that were funded under the European Neighbourhood Policy were divided under various programmes, the TACIS for eastern neighbours and the MEDA (the financial instrument under the Euro-Mediterranean Partnership) or other thematic programmes such as the European Initiative for Democracy and Human Rights (EIDHR) (European Commission 2, 2009)

However on the first of January 2007 the financial instruments of the European Union have been reformed, the MEDA, TACIS and the EIDHR have been replaced by the European Neighbourhood and Partnership Instrument (ENPI). The ENPI allocates the financial assistance to various projects and reform programmes. The money reserved for the implementation of the European Neighbourhood Programme is spent by the ENPI in three ways;

- The main part of the funds goes to country specific programmes called the Multi-Annual National Indicative Programmes.
- The second main part goes to regional co-operation activities, such as the Euro-Mediterranean Partnership, ENP scholarship funds, cross-border cooperation fund (by the European Regional Development Fund)
- The third part of the financial resources for the ENP is spent on the support of governance and to promote investment through the establishment of two new institutions; the Neighbourhood Investment Fund, which offers investment loans to Neighbouring countries and the Governance Facility, which offers governance support and consultancy. (European Commission 2, 2009)

In the case of Egypt, the ENPI allocates financial assistance to various priority areas, through a multi-annual National Indicative Programme (NIP). The programme is not actively

involved in projects itself but it financially supports the countries implementation of their own political, economic and social reform programmes. That means that the money goes to the Egyptian government which has to spend the money accordance with the NIP.

The table below shows the NIP for Egypt 2007 – 2010.

Table 8; The National Indicative Programme for Egypt, 2007 - 2010

| Sector | Allocated funds, in millions of euro's |
|--------------------------------------|--|
| <u>Social sector</u> | |
| Education | 120 |
| Health | 120 |
| <u>Governance and human rights</u> | |
| Support to the Ministry of Justice | 10 |
| Decentralisation | 13 |
| Human rights | 17 |
| <u>Economic sector</u> | |
| Support Programme to the Action Plan | 220 |
| <u>Environmental sector</u> | |
| Transport, Energy and Environment | 58 |
| TOTAL | 558 |

The government of Egypt has to spend almost 40% of the ENP funds on the implementation of the economic reforms which are lied down in the Action Plain for Egypt. However concrete information about how the Egyptian government spends this money is not available.

(European Commission's delegation to Egypt, 2005)

7.3 Other agreements or strategies important to Egypt and Europe

European Mediterranean Free Trade Agreement (EMFTA)

One of the main projects of the European Union nowadays is the establishment of a European Mediterranean Free Trade Agreement (EMFTA). In the Barcelona Declaration in 1995 the members agreed on the gradual introduction of a Mediterranean free trade

agreement by 2010. This is achieved by adding this agreement to the already existing bilateral Association Agreements between the different member countries.

The Southern Mediterranean countries Morocco, Tunisia, Jordan and Egypt already declared in 2001 to set up a Free Trade Area among themselves to facilitate the creation of the EMFTA, this is called the Agadir Agreement, which was signed by the four member in 2004. Nowadays this agreement is still not into force because it hasn't been ratified by Morocco yet.

The goals of the EMFTA is to eliminate of customs tariffs, the harmonisation of laws in economic matters, facilitate trade exchanges, promotion of industrial texture, economic activity and employment, the coordination of global economic policies, especially in the fields of foreign trade, industry, finance, taxes and customs in order to enhance the liberal business climate. According the European Commission, the EMFTA will at a later stage include all the European Neighbourhood Policy partners. The table below shows the process of the Mediterranean Free Trade Agreement.

Table 9; Process of the Mediterranean Free Trade Agreement.

| | EU associated | | | Other Barcelona Conference partners | | | | | | | | |
|-------|---------------|-------------|-------------|-------------------------------------|------------|-------------|------------|-------------|-------------|-------|-------------|-------------|
| | EU | EFTA | Turkey | Morocco | Algeria | Tunisia | Egypt | Jordan | Lebanon | Syria | Israel | PA |
| EU | | FTA 1973 | CU 1996 | AA 2000 | AA 2005 | AA 1998 | AA 2004 | AA 2002 | AA 2006 | | AA 2000 | AA 1997 |
| EMFTA | FTA 1973 | | FTA 1992 | FTA 1999 | | FTA 2005 | | FTA 2002 | FTA 2005 | | FTA 1993 | FTA 1999 |

Instrument and year of entry into force

Instrument and year of provisional entry into force

In negotiations

No diplomatic relations with Israel

Source: http://en.wikipedia.org/wiki/Euro-Mediterranean_free_trade_area

The table shows that the AA (Association Agreement) with Egypt has been signed on 2004, however the EMFTA (Mediterranean Free Trade Agreement) is still in negotiations.

According an Egyptian economic consultant Egypt and the European Union are still in negotiations because Egypt does not want to adhere to the liberal policy changes of the EMFTA. He believes that opening up the Egyptian market by this liberal free trade agreement will damage Egypt's economy and only supports Europe's business interests. He also stated that the establishment of the European Mediterranean Free Trade Area is one of

the main goals for Europe to establish partnerships as the ENP and the Euro-Mediterranean. (European Commission's delegation to Egypt, 2005)

7.4 Key policy field; The Intellectual Property Rights (IPR's)

Just as the CPA of the pharmaceutical industry has shown, Intellectual Property Rights are also a highly important priority policy area in Europe's external strategy.

The intellectual property rights (IPR's) are the rights for creators and inventors to control and financially benefit the use made of their productions. IPR's can be divided into two groups;

- Property rights for literary and artistic works, for example copyrights
- Industrial property rights, for example trademarks, patents etc.

Especially the last group of IPR's is very important for the Industrial business sector such as the pharmaceutical, chemical and petroleum industries.

The European Union states that it is one of the major players in forging the international intellectual property rights. The European Union actively promotes the implementation of effective standards for Intellectual Property protection worldwide by introducing own IPR's protection policy and by adherence to the WTO Agreement on trade-related aspects of intellectual property rights which is called TRIPS.

TRIPS sets standards of protection for each category of right which should be implemented in every WTO member. Almost all of EU's negotiated trade agreements include policy on IP protection, including specific trade agreements in the process of EU enlargement, in the Association Agreements under the Euro-Mediterranean Partnership and IP policy is included in the European Neighbourhood Policy Action Plan's and Strategy Papers.

According the website of the European Commission on property rights it is their objective to reach a full implementation of the standards on IPR's set by the WTO. To enhance this process the EU negotiates and implements bilateral agreements with partner countries on IP regulations, like for example in the European Neighbourhood Policy.

(European Commission's delegation to Egypt, 2006)

The strategy enforcement IPR in third countries

The strategy enforcement IPR in third countries is a policy guideline document developed by the European Commission as a long term action plan to address counterfeiting and piracy from an external trade point of view. According the European Commission, the strategy

provides a series of steps to be taken in order to reduce the alarmingly increasing levels of counterfeiting and piracy of certain trading partners of the EU, (which includes Egypt)

The following is a quote out of the *EU strategy enforcement IPR in third countries*;

“Promoting an adequate enforcement of IPRs world-wide and participating in the fight against violations, such as piracy and counterfeiting;

Ensuring that IPRs are supportive to public health objectives, to innovation and to technology transfer;

Cooperating with developing and least developed countries, for which the introduction and enforcement of intellectual property laws is quite a challenge;

(...)” (European Commission, 2005)

According the European Commission the *Strategy for the enforcement of IPR in third countries* is an effort to halt the increase in piracy and counterfeiting of European Intellectual Property. The strategy focuses on the effective implementation and enforcement of existing IPR laws under the WTO, it identifies priority countries where enforcement actions should be concentrated and technical cooperation and assistance will be given to help third countries fight counterfeiting and piracy.

Furthermore:

“The Commission will not hesitate to trigger all bilateral and multilateral sanction mechanisms against any country involved in systematic violations. The Commission will foster awareness raising of users and consumers in third countries and support the creation of public-private partnerships for enforcement.” (European Commission, 2005)

According the European Commission counterfeiting and piracy in third countries is a major threat to the European economy because;

- Unfair competition; manufacturing sectors in third countries have much less production costs because of extremely low labour and material costs and there are no costs associated with the oversight and accountability under which lawful businesses operate.
- The quality of the product is extremely low which could cause health and environmental problems, because quality controls are often non-existent.

Ironically, the production plants of almost all European Pharmaceutical corporations are based in third countries, which would say that they equally benefit from the cheap labour and production costs. (Blakeney, 2007)

M. Santa Cruz, a counsellor of the permanent mission of Chile to the WTO, addresses the scope, content and potential impact of proposed intellectual property rights in Economic Partnership Agreements (EPA's) in her study; *Intellectual Property Provisions in European Union Trade Agreements and Implications for Developing Countries*. Although Egypt is not

included in the negotiations of EPA's because it already signed an Association Agreement under the Euro-Mediterranean Partnership, the study clearly shows the implications of liberal IPR's.

The EPA negotiations offer an important opportunity to consolidate, expand market access and it enhances market reforms in African, Caribbean and Pacific countries. According M. Santa Cruz, the aspect of the potential impact of TRIPS provisions of the WTO generate deep concern among African, Caribbean and Pacific countries, they stress that intellectual property rights will adversely affect economic and health development in their countries by for example raising the prices of essential drugs to levels that are too high for the poor to afford.

According to her the IPR's are a very important factor in the EU's overall Lisbon strategy for growth and jobs, because IP is considered to be the key factor for innovation. Innovation as recognized as the key to success of this Lisbon strategy. Nowadays the EU has included Intellectual Property Rights (IPR's) in around the 30 agreements of which an important group relate to agreements with candidate countries for the EU, potential candidates for accession to the EU or Neighbourhood Partners.

(Santa Cruz, 2007)

The next paragraph shows the articles on IPRs in the agreements of Europe's neighbourhood strategy.

Intellectual Property Rights (IPR's) in the Association Agreement Egypt (EuroMed Partnership)

The Association Agreement between the EU and Egypt contains the following articles on Intellectual Property Rights:

Article 26

Nothing in this Agreement shall preclude prohibitions or restrictions on imports, exports or goods in transit justified on grounds of public morality, public policy or public security, of the protection of health and life of humans, animals or plants, of the protection of national treasures possessing artistic, historic or archaeological value, of the protection of intellectual property or of regulations concerning gold and silver.

Article 37

Pursuant to the provisions of this Article and of Annex VI, the Parties shall grant and

ensure adequate and effective protection of intellectual property rights in accordance with the prevailing international standards, including effective means of enforcing such rights.

The implementation of this Article and of Annex VI shall be regularly reviewed by the Parties. If problems in the area of intellectual property affecting trading conditions were to occur, urgent consultations shall be undertaken, at the request of either Party, with a view to reaching mutually satisfactory solutions.

Article 47

The Parties shall aim to reduce differences in standardisation and conformity assessment.

Co-operation in this field shall focus in particular on:

- (a) rules in the field of standardisation, metrology, quality standards, and recognition of conformity, in particular as regards sanitary and phytosanitary standards for agricultural products and foodstuffs;*
- (b) upgrading the level of Egyptian conformity assessment bodies, with a view to the establishment, in due time, of mutual recognition agreements in the area of conformity assessment;*
- (c) developing structures for the protection of intellectual, industrial and commercial property rights, for standardisation and for setting quality standards.*

Article 72

In order to achieve the objectives of this Agreement, a financial co-operation package shall be made available to Egypt in accordance with the appropriate procedures and the financial resources required.

Financial co-operation shall focus on:

promoting Egypt's capacity and capabilities in the field of the protection of intellectual property rights;

(...)

(European Commission 1, 2008)

The Association Agreement also contains a special Attachment on Intellectual Property Rights;

ANNEX VI

INTELLECTUAL PROPERTY RIGHTS REFERRED TO IN ARTICLE 37

1. By the end of the fourth year after the entry into force of the Agreement, Egypt shall accede the following multilateral conventions on intellectual property rights:

- the Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations (Rome, 1961);
- Budapest Treaty on the International Recognition of the Deposit of Micro-organisms for the Purposes of Patent Procedure (1977, amended 1980);
- the Patent Cooperation Treaty (Washington 1970, amended in 1979 and modified in 1984);
- the International Convention for Protection of New Varieties of Plants (UPOV) (Geneva Act 1991);
- Nice Agreement concerning the international Classification of Goods and Services for the Purpose of the Registration of Marks (Geneva Act 1977 and amended in 1979);
- Protocol relating to the Madrid Agreement concerning the international registration of Marks (Madrid 1989).

2. The Parties confirm the importance they attach to the obligations arising from the following multilateral conventions.

- the World Trade Organisation agreement on Trade Related Aspects of Intellectual Property Rights (Marrakech, April 15, 1994), taking into consideration the transitional period provided for developing countries in Article 65 of that agreement;
- the Paris Convention for the protection of industrial property (Stockholm Act 1967 amended in 1979);
- Berne Convention for the protection of literary and artistic works (Paris Act 1971);
- Madrid Agreement concerning the International Registration of Marks (Stockholm Act 1967 amended in 1979).

3. The Association Council may decide that paragraph 1 shall apply to other multilateral conventions in this field.

(European Commission 1, 2008)

The European Neighbourhood Policy, Action Plan Egypt

The ENP Action plan for Egypt contains the following policy on Intellectual property rights;

2.2.Trade related issues, market and regulatory reform

(..)

2.2.4. Other key areas

(..)

c) Intellectual property rights

- *Accede to the conventions within the timeframe stipulated in the Association Agreement and apply the standards of protection stated in such conventions or other conventions and agreements to which Egypt is party. Strengthen enforcements of IPR legislation within TRIPS requirements.*
- *Reinforce the fight against piracy and counterfeiting and promote cooperation between the authorities involved, police, judiciary and customs. Significantly reduce circulation and trafficking of counterfeit/pirated goods.*
- *Increase awareness at both public and private level and encourage the establishment and effective functioning of associations of rights holders and consumers.*
- *Explore the possibility of enhanced interaction with other EuroMed partners.*
- *Initiate a policy dialogue covering all aspects of IPR, including further legal/administrative improvements and possible membership of additional relevant conventions etc.*

.5. Science and technology, research and development, information society and audio-visual cooperation

a) Science and technology, research and development

Accelerate the integration of Egypt into the European Research Area and the Community Framework Programme

- *Disseminate research results to all potential users, develop a “patent culture” and set up intellectual property offices in technology parks and universities, including support for the introduction of a doctoral level programme in intellectual property law in the framework of the Agreement on Scientific and Technological Cooperation.*

(European Commission 2, 2009)

The next chapter explains why the Pharmaceutical Industry and the European Neighbourhood strategy emphasise IPR in their policy and political activities and it gives an indication of why effective and strong Intellectual Property Rights protection is essential for increasing economic growth and the maintenance of the capitalist system.

Chapter 8 Intellectual property rights (IPRs) for growth and expansion to maintain the capitalist system

8.1 IPRs essential for corporate growth and expansion

As shown before, the pharmaceutical corporations widely use political action towards the European Union to adopt IPR policy in their neighbourhood and trade agreements. The EFPIA states that it is their mission to; *‘improve the competitiveness within Europe in a regulatory and political environment, which will above all stimulate R&D and reward innovation.’* Especially with “reward innovation” they point at Intellectual Property Rights protection. On their website they report a “cycle of pharmaceutical innovation”, the top priority is the protection of intellectual property rights to ensure that innovation is ‘rewarded’. The pharmaceutical industry puts this emphasize on intellectual property rights because they state that innovation is the means of a strong pharmaceutical industry. In order to stimulate innovation according to them, a strong intellectual property rights protection is essential. They give the following reasons;

- The high expenses, resources and risk involved in researching and developing new medicines, make it necessary to effectively protect the intellectual property which enables investors to recoup their investments.
- A patent gives an inventor the right to prevent other from making, using and selling their invention for a period of time, which enables inventors to invest again in innovation which increases the knowledge base in Europe.
- When inventions are rewarded, patents encourage the continuation of scientific discovery and stimulate competition.

(EFPIA 2, 2009)

Critics to the strong protection of intellectual property rights believe that it is not the pharmaceutical industry’s goal to *recoup their investments*, as the EFPIA states above, but that it is industries aim to have an ever expanding size and revenue rate instead of just recouping investment. The economic profit figures of GlaxoSmithKline, Novartis and Sanofi-Aventis also indicate that they do not have a problem with recouping their investments.

In order to set things straight the EFPIA states on their website;

“Contrary to a widely-held misconception, pharmaceutical patents do not provide a monopoly for treating a disease. They only confer an exclusive right, for a limited period of time - i.e. 20 years from the date of filing the patent application - to prevent others from manufacturing and

selling the same patented medicine without the permission of the patent holder.” (EFPIA 2, 2009)

However, critics state that strong intellectual property protection does not provide pharmaceutical corporations with the monopoly for *treating a disease*, like the EFPIA contradicts, but it provides them the monopoly on the medicines which are necessary to treat the disease.

As explained in the theory chapter of this study, Dunning and Mucchiellie (2002) argue that the rapid empowerment of the TNCs can be explained by a number of international liberal policy changes implemented by Western governments and international institutions. He gives 6 factors that have directly caused the increasing power of TNC and as second most important factor he points at the increasing protection of Intellectual Property Rights, which have enables TNC to benefit their monopoly position best and have enables TNC to increase enormously in size and in profits.

According the EFPIA, intellectual property rights are the key pillar of Europe's innovative economy. They state that effective protection of IPRs is absolutely essential for quality healthcare based on innovative pharmaceutical products.

I believe that they emphasize IPRs because it is absolutely essential for pharmaceutical corporations to protect their developed medicine against counterfeiting and piracy because it underestimates their monopoly position in the economic market and with that it decreasing their ability to expand and raise their profits, which is the essential goal for transnational corporations is the present global capitalistic liberal market economy.

With IPR they have the monopoly over a medicine, and the more people are dependent on that medicine the more they may push prices up in order to increase their profits. According to Zackie Ahmat, a health activist, TRIPS (IPRs of the WTO) limits the developing countries to produce or buy cheaper generic versions of patented drugs. He gives an example; 5000 pills of the generic version of an anti-fungal drug patented by US pharmaceutical corporation Pfizer costs \$0.21 a pill, the price of the patented version is \$13 per pill. Their profits skyrocketed when millions of people needed their medicine. He states that this example indicates the excessive abuse of the pharmaceutical corporations. (Treatment Action Campaign, 2007)

It goes far beyond their argument to *recoup their investments in order to stimulate innovation*. I believe this is a clear example of how the liberal capitalistic economic system works in their competition for ever growing profits and expansion; this is backed up by the following example;

In 1999 there was a major outbreak of AIDS in South Africa, which pushed South-Africa in the need for cheap medicine. The newspaper the Guardian reported on the 5th of August 1999 that the lobby of the pharmaceutical industry via lobbying through Vice President Al Gore, had resulted in the US threatening South Africa with trade sanctions for trying to develop generic and cheaper drugs to fight AIDS. Pharmaceutical corporations like Bristol-Myers Squibb (now merged with GlaxoSmithKline) and Pfizer, which make the most AIDS drugs, charged South-Africa with violating the WTO rules regarding patents and intellectual property. (Hanging on the profits from AIDS, 1999, August 5)

However it did not end with the US threatening for trade sanctions, in 2001 around the 40 pharmaceutical corporations(o.a. GlaxoSmithKline, Novartis and Sanofi-Aventis) took South Africa to court, over a Medicines Act which allowed for generic production and parallel importing of affordable AIDS drugs. However due to public outrage that strongly damaged the image of the pharmaceutical corporations resulted that they dropped their case in April 2001. (Global Policy Forum, 2005)

In my opinion these examples show the true nature of the pharmaceutical corporations as entities operating in a capitalist society.

8.2 Neo-colonial European policy to ensure growth and jobs and to remain competitive in the global market economy

In the Lisbon strategy for growth and jobs, launched in 2005, the European Union states that it is essential to make the right economic reforms now to ensure that our economies are well structured in order to take full advantage of the opportunities offered by globalisation.

The Lisbon strategy states that delivering growth and jobs is impossible without an even more competitive European economy on the global market. Therefore, the strategy for growth and jobs must be backed up by Europe's external agenda to drive Europe "*towards profiting from the opportunities offered by globalisation*". The Lisbon strategy indicates the following top-priorities to achieve this goal;

"EU business needs to trade freely on the world markets. The new European trade strategy will focus on removing barriers, – particularly non-tariff ones–, protecting intellectual property rights, concluding bilateral trade agreements, and building a fair partnership with China. Not only will Europe make sure other markets are open to trade with it, but the EU will also further its fight against protectionism." (European Commission, 2006)

Intellectual Property Rights protection is essential for European pharmaceutical corporations to grow and expand and remain competitive on the global capitalistic market. This clarifies the political action from the pharmaceutical industry to pressure the European Union to adopt strong policy on IPRs in their external and neighbourhood policies.

I believe that this policy can be compared with colonial policy because the aims are the same; policy to ensure economic growth and expansion which maintains the capitalist system. An example is the European policy on Intellectual Property rights, this policy protects the pharmaceutical corporations against piracy and counterfeiting because this would seriously affect the corporations ability to grow and expand.

Baran and Sweezy, (1971) already pointed out that economic oppression did not end with Decolonisation, and they believe that large corporations are just another expression of neo-colonial expansion. They also stated that both the western state and the corporation have the same goals, to ensure the maintenance of the capitalist system because it brings growth, jobs and prosperity for own populations. Liberal external policy of the European Union is therefore needed to develop a global policy framework in which the European transnational corporations will be able to expand and grow.

Campbell (1975) agreed and stated in her article that imperialism has never ended, although nation-states became independent from other nation-states, the imperial power simply shifted towards another actor, international institutions, governed by former colonizers, which continued to impose economic imperial policy on the 'colonies'. According to her, imperial economic policy has never left the countries after the last wave of decolonisation, due to international law, treaties and international institutions protecting it by the global implementation of policy which favours the economies of 'western' nations.

In my opinion, Campbell's point of view, of 35 years ago, still corresponds very much with the global economic relations nowadays. Although some things have changed, globalisation empowered the transnational corporations and the unequal exchange relationship changed into the knowledge based innovative industry on the one side and the commodity and manufactured goods on the other side. However the fact that there is an unequal economic power relations remains very much the same.

Nowadays, the western economies possess the monopoly on essential high-technological knowledge which is vital for production. This monopoly position enables the transnational corporations to exploit the non-western milieus in order to ensure their never ending growth and expansion. However the knowledge based innovative industry faces a major threat: piracy and counterfeiting. When the products they invented are being counterfeited it means

that their monopoly position on knowledge is worth less, which decreased the companies' possibilities to gain profits from an invention.

The pharmaceutical industry widely acknowledges this threat and therefore it is their top-priority to assure an effective Intellectual property rights protection by using political strategies towards policy makers. The European Union supports the Pharmaceutical Industry in their fight against counterfeiting and piracy because it is EU's top priority to keep the European economy competitive in order to assure growth and jobs, therefore Intellectual Property Rights are widely implemented in European internal policy but also in Europe's external strategy as the European Neighbourhood Policy, the Association Agreements under the Euro-Mediterranean Partnership and in many bilateral trade-agreements.

V Conclusion

As Lenin pointed out in his work called Imperialism (1939), the capitalist society became inherently related with the global economic market, which was dominated by immense industrial mergers that worked closely with great banking houses. According to Lenin Capitalism has escaped the three economic laws of a capitalist society through imperialism. Imperialism has enables the capitalist societies to find to place to deposit their unconsumed goods and it enables the acquirement of new resources and cheap labour. As well as that the colonies provided new economic incentives to expand and invest. He stated that colonial imperialism became necessary feature of the new Capitalism and meant its survival. With this shift to global scale and the new economical opportunities the Bourgeoisie could buy of their own authority in Western Europe.

According to Rosa Luxemburg there must be an exchange relation between capitalists' production and the non-capitalist milieu, where they do not only find the possibility to change surplus value into hard cash but also new resources to exploit and labour.

An example of such an exchange relationship was the invasion of the British and the economic dependency of Egypt, this opened the door for large scale commodity and resource trade between Egypt and Europe. Raw materials, like for example cotton, where transported to the textile industry in Britain. However fully manufactured products where shipped back to Egypt to be sold on the market. This enables the European business industry to find consumers of their surplus value, which enables them to invest and accumulate. The development of the nation state Egypt clearly shows this shift towards economic dependency on European investors. By the end of the nineteen century the Egyptian government was bankrupt and had to rely on European investors to modernize the country and especially the British and the French widely invested in Egypt's infrastructure to transport products from the East to Europe, in their cotton production for Europe's textile industry. The investors were willing to invest in Egypt because it had a strategic position between the East and Europe and Europe needed Egypt's resources. Due to Egyptian efforts to modernize Egypt (with European money) the debts of the Egyptian government rose from an estimated 3 million pound to nearly 100 million pound. This burden of debt ultimately led to the invasion of the British in order to protect the business interests of British investors, when the Egyptian nationalists became too strong.

After decolonisation in the second half of the twentieth century Egypt opened its market by introducing liberal reform programs, which lead to a wave of European investors to come to

Egypt, because the implementation of liberal policy led to great economic possibilities for European transnational corporations.

The pharmaceutical industry boomed due to these liberal economic reforms and market research nowadays shows a huge European dominance on the pharmaceutical market in Egypt. The three pharmaceutical corporations GlaxoSmithKline, Novartis and Sanofi-Aventis together possess an estimated 34 % of the pharmaceutical market in Egypt.

Baran and Sweezy (1971) have pointed out that there have been growing political activity of transnational corporations (TNCs) and that they more and more interfere in the political policy making process to ensure the implementation of favourable policy.

The framework of Hillman and Hitt (1999) was used to investigate the growing political activity of GlaxoSmithKline, Novartis and Sanofi-Aventis in order to find out whether these pharmaceutical corporations use political strategies to influence the policy making process of the European Commission to shape a beneficial external European policy towards Egypt.

The framework consists out of three levels, Approaches to CPA, Participation level CPA and Strategy of CPA. The variables of the framework of Hillman and Hitt (1999) pointed out that GlaxoSmithKline, Novartis and Sanofi-Aventis all used the relational approach to CPA, which indicated a long-term issue spanning relationship with the EC. The level of participation of the three pharmaceutical corporations was determined as collective due to the policy the CPA is aimed at; general policy in the framework of the European Neighbourhood Policy indicates a focus on collective participation due to the overarching policy principles. The representation of the collective action of the pharmaceutical corporations is done by the European Federation of Pharmaceuticals Industries Associations.

The third level of CPA according the framework of Hillman and Hitt (1999) focused on the Strategy of CPA, and due to the collective participation level of the pharmaceutical corporations, the CPA strategy of the EFPIA was examined.

According to Hillman and Hitt (1999) there are three main strategy types: information, financial incentive and constituency building, which all contain several tactics which are used to influence public policy. According the framework of Hillman and Hitt (1999) the EFPIA uses the information strategy and its tactics include; lobbying, internal (by own employees) or external (by a hired organisation), reporting research and survey reports, commissioning policy think tanks and research groups, testifying as experts and supplying policy makers with position papers and technical reports. The examination of the lobby activities and policy documents of the EFPIA support this claim that the EFPIA uses the information strategy to lobby towards the European Union.

However the framework of Hillman and Hitt (1999) is not up to date anymore. The EFPIA participates in a number of close cooperation's with the European Commission, these cooperation's can be divided into three groups, private-public partnership (PPP) between the EC and the Pharmaceutical Industry, the establishment of exclusive high level forum, for example the High Level Group on Innovation and Provision of Medicines (HLGIPM) and the High Level Pharmaceutical Forum (HLPF). The third group consists of the EFPIA consulted as experts; for example the policy recommendations from the EFPIA to the EC.

The political strategy of the EFPIA is determined in order to examine the impact of the political strategy of the three pharmaceutical corporations on the policy making of the European Commission and specifically on the policy making of the External strategy towards Egypt.

Literature has shown that measuring impact and influence has always been very problematic, therefore P. Bouwen has developed a framework that measures access, because access is a prerequisite for influence. His framework points out that European Associations such as the EFPIA have the highest degree of access towards the European Commission, because the European Associations possess the access good *Information Encompassing European Interests* which the European Commission needs for policy making, this interdependency on access and crucial market information enables the European Associations to gain a high degree of Access.

The study of lobby activities of the EFPIA also showed an insider's status and a high degree of access of the EFPIA in the policy making process of the European Commission.

However, Information is not the only good the European Commission needs from transnational corporations, the *Lisbon strategy for growth and jobs* clearly shows another dependency. The European Commission is dependent on their TNCs for economic growth and jobs and Europe needs to compete with emerging markets for TNCs not to move out of Europe. The dependency of the European Union on the Pharmaceutical corporations as engines of economic growth and jobs and the dependency of the European Commission on the expert market information have caused a close cooperation between the European Commission and the EFPIA which indicate a strong influence on the policy making process, especially because the EFPIA has given much advice to the European Commission on policy matter concerning competition and global competitiveness. The line between these policy arena's and the European Neighbourhood Policy as an overarching framework is thin. However this could be explained by the same goals the Pharmaceutical Industry and the European Union have concerning the external strategy; the development of a strategy that

constitutes European economic growth and more jobs for European citizens and with that the maintenance of the capitalist system.

Transnational corporations have become an important political actor which shape and create national and foreign policy. The corporations have the power because they are the engines of economic growth and due to their ability to move to emerging markets when market become too regulated and when labour and resources are cheaper elsewhere. In order to keep the TNCs and to stay competitive in the global market the European Union needs to adopt an imperial strategy which favours the TNCs,

Campbell (1975) agreed and stated in her article that imperialism has never ended, although nation-states became independent from other nation-states, the imperial power simply shifted towards another actor, international institutions, governed by former colonizers, which continued to impose economic imperial policy on the 'colonies'. According to her, imperial economic policy has never left the countries after the last wave of decolonisation, due to international law, treaties and international institutions protecting it by the global implementation of policy which favours the economies of 'western' nations. Liberal external policy of the European Union is needed to develop a global policy framework in which the European transnational corporations will be able to expand and grow.

This implies that imperialism never ended and former imperial exchange relations still corresponds very much with the global economic relations nowadays.

Although some things have changed, globalisation empowered the transnational corporations and the unequal exchange relationship changed into the knowledge based innovative industry on the one side and the commodity and manufactured goods on the other side. However the fact that there is an unequal economic power relations remains very much the same.

The western economies possess the monopoly on essential high-technological knowledge which is vital for production. This monopoly position enables the transnational corporations to exploit the non-western milieus in order to ensure their never ending growth and expansion. However the knowledge based innovative industry faces a major threat: piracy and counterfeiting. When the products they invented are being counterfeited it means that their monopoly position on knowledge is worth less, which decreased the companies' possibilities to gain profits from an invention.

The pharmaceutical industry widely acknowledges this threat and therefore it is their top-priority to assure an effective Intellectual property rights protection by using political strategies towards policy makers. The European Union supports the Pharmaceutical Industry in their fight against counterfeiting and piracy because it is EU's top priority to keep the

European economy competitive in order to assure growth and jobs, therefore Intellectual Property Rights are widely implemented in European internal policy but also in Europe's external strategy as the European Neighbourhood Policy, the Association Agreements under the Euro-Mediterranean Partnership and in many bilateral trade-agreements. This means that the European transnational pharmaceutical corporations use political strategies towards the European Commission in order to pressure for the implementation of favourable policy which enables them to grow and expand and to maintain the capitalist system which ensures economic growth and jobs for Europe's population.

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