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## They're Rich, They're Powerful and They're Running Scared

On February 9–13, 1997, more than 200 of corporate America's top "political affair officers" (PAOs) came together with their favorite PR gunslingers to talk "grassroots" strategy and tactics.

Sponsored by the powerhouse Washington, D.C.-based Public Affairs Council (PAC), the annual "National Grassroots Conference for Corporate and Association Professionals" took place at the luxurious oceanside Marriott Casa Marina Resort in Key West, Florida. As in the past, the conference was expensive and exclusive. Not a single word about the event appeared in the local or the national press. Participants paid \$1,200 a head to attend, plus lodging.

Attire was casual and conversation candid amid the mid-winter tropical surroundings. The assembled corporate ambassadors met formally in workshops and mingled informally over cocktails and dinner, enjoying free pina colodas and margaritas at a beachfront wet bar provided by conference organizers.

*continued on next page*

## Flack Attack

There is a precise and predictable inverse relationship between the work of journalists and the work of the public relations industry.

Good investigative journalists work to inform the public about the activities of the rich and powerful. They uncover secrets known only to a few, and share those secrets with the rest of us.

Public relations, on the other hand, works to control and limit the public's access to information about the rich and powerful. PR has its own techniques of investigation—techniques which range from opinion polling to covert surveillance of citizen activists. Rather than studying the *few* for the benefit of the *many*, these techniques study the *many* for the benefit of the *few*.

*PR Watch* seeks to serve the public rather than PR. With the assistance of whistleblowers and a few sympathetic insiders, we report about the secretive activities of an industry which works behind the scenes to control government policy and shape public opinion.

In recognition of these activities, *PR Watch* editors John Stauber and Sheldon Rampton have recently

been honored by Project Censored, a university-based organization which each year selects what it considers the most under-reported stories in the United States. Project Censored selected *The PR Industry's War on Activists*, our article in last year's *Covert Action Quarterly*, as the "fourth most censored" story of 1996.

We are pleased, of course, by this recognition. Meanwhile, the PR industry keeps rolling. This issue reports on the Public Affairs Council's latest "National Grassroots Conference." It offers chilling examples of the industry's increasingly sophisticated technological reach into people's lives, and its indifference to the rights of the people whom it is thus manipulating.

Fortunately, *PR Watch* and other public interest groups are *also* becoming increasingly sophisticated. As a step in this direction, we have developed our own permanent web site at <<http://www.prwatch.org/>>. The web site is currently being installed, and should be ready by the time you read this. If it isn't, you can visit it in the interim at our temporary location of <<http://members.aol.com/srampton/center.html>>.



***We covered the Public Affairs Council's "National Grassroots Conference" in February, and all we got was this lousy T-shirt—plus an insider's view of how corporate America manages and manipulates grassroots democracy.***

The relaxed atmosphere made an odd counterpoint to the deadly serious themes under discussion. The assembled corporate ambassadors made it clear that the current challenges of "managing public opinion" while "maintaining market share" is a risky business indeed.

"The public has turned against corporate America now more than at any time since the 1960s," observed leading Republican Party consultant Frank Luntz in a confidential memo last summer. "This time the frustration and anger stretches well into the middle class and up through white collar and middle level management," Luntz added. "The public does not have much time or tolerance for your side of the story. . . . So you had better improve your communication from now on."

As every corporate lobbyist and PAO officer now understands, the public is increasingly unhappy with the consequences of corporate "bottom line" behavior—consequences such as layoffs, forced production speedups, union busting, deregulation, wage and benefits cuts,

reductions in government services, unravelling consumer and environmental safeguards, economic and racial polarization, global sweatshops, monopolization and price fixing.

Eighty percent of workers have seen their incomes drop or stagnate over the past 15 years. Opinion polls show that 69% are concerned about "worsening social problems resulting from growing numbers of poor people," and many believe "the free market system is not fair." Seventy-nine percent believe that the government is "run by a few big interests looking out for themselves. . . . 59% said there was not a single elected official today that they admired." Forty-six percent believe that the middle class is being hurt by "corporate greed."

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***"Corporate grassroots programs are under fire, and we have brought that fire on ourselves."***

**—Neil Cohen, APCO & Associates**

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The cautionary message of Key West is that corporate "astroturf" is wearing thin. The artificial, orchestrated tactics of astroturf campaigns have lost some of their novelty and punch. The manufactured spin, media buys, front groups, mass-broadcast faxes, telemarketing-generated petitions, postcards, form letters, and Limbaugh-inspired "dittohead" phone calls are no longer sufficient.

"Front groups are beginning to wear out their welcome. Increasingly they are being 'outed' by legitimate activists. And clients are getting smarter," complained the December 1996 issue of *Impact*, PAC's monthly newsletter.

The PR profession, founded for the purpose of containing and controlling public opinion, is finding that its own professional image has recently suffered significant collateral damage due to unprecedented media exposure and populist backlash, thanks in part to the recent well-publicized antics of sleazeball campaign consultants such as Dick Morris and Ed Rollins—the "Ed and Dick show," in the rueful words of APCO Associates astroturf wizard Neal Cohen.

"Corporate grassroots programs are under fire," Cohen admitted in a speech to the Key West conference, "and we have brought that fire on ourselves. . . . As our craft comes under increasing scrutiny, we suffer guilt through association," Cohen intoned rather mournfully. Dressed appropriately in black pants and black sport shirt, he delivered a preachy call for PR practitioners to

“remove the mystery,” “cast accurately and present all viewpoints,” “be true to ourselves,” and “follow the law.”

Cohen himself, of course, is a notorious practitioner of manipulative grassroots techniques including the creation of deceptive front groups for the tobacco and insurance industries (see *PR Watch*, v. 3, #3). His ethical advice at Key West provoked dead silence in the meeting hall, followed by awkward, sparse applause. After failing to generate any significant questions or feedback from the reticent and visibly nervous audience, he abruptly ended his sermon 15 minutes early and walked out.

## ENEMIES EVERYWHERE

The three main threats mentioned most frequently at Key West were trade unions (“big labor”), trial lawyers (who sue corporations) and the news media.

“The red-alert for the corporate community was the AFL-CIO’s much publicized commitment to spend \$35 million of its members’ dues in support of anti-business, pro-labor candidates,” complained the October 1996 issue of *Impact*, PAC’s monthly newsletter.

Corporations fear the news media because they believe that it has become so ratings-conscious and sensationalistic that it is literally “out of control.” As Jim McAvoy from Burson-Marsteller put it, “If it bleeds, it leads.” (McAvoy should know. He’s the PR brains behind the American Legion’s “Citizens Flag Alliance,” seeking to limit the Bill of Rights in a hyped-up campaign to end the “menace” of flag-burning.)

Facing intense competition for audience share, media organizations are willing to run stories with popular

appeal, even when they present big business interests in an unfavorable light. The PR practitioners at Key West worried that this media environment, combined with today’s cynical public mood, creates opportunities for its enemies—unions, trial lawyers, the environmentalists, and “NIMBY” groups—organized citizens who are the real grassroots.

Finally, corporate PR operatives fear that their own innovative use of ever-more-affordable information technology—e-mail, patch-through 800 lines, sophisticated polling, broadcast faxes, internet web sites—could become a double-edged sword used against them.

Because of these factors, the political trench warfare of the future will undoubtedly involve even more sophisticated grassroots campaigning, media management, and lobbying—both by big business and its opponents.

As corporations seek to deflect and contain a potential explosion of populism, they are increasingly driven to “manage public perceptions.”

As WKA Communications stated in a brochure distributed at Key West, “We’d Rather Guard the Border Than Fight the War.”

“If you don’t keep an ear to the ground, or ignore what you hear, the results aren’t pretty,” the brochure states. “In terms of time, energy and cost, the difference between early-stage issues management and late-stage crisis management is the difference between guarding a border and fighting a war. It’s easier and less expensive to influence an outcome before the government has written the law or regulation.” ■

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# Risky Business: The World According to Hill & Knowlton

“For the last 30 years you and your corporations have been depicted as criminals,” complained Hill & Knowlton Chairman and General Manager Thomas Buckmaster. His talk, titled “Defusing Sensitive Issues Through ‘Risk Communication,’ ” was one of the most revealing and well-attended presentations at Key West.

Buckmaster cited a study of prime-time TV programming, which he claimed showed that “businessmen are three times more likely to be depicted as criminals than other people . . . three times as likely to be depicted as too powerful. Sixty percent of the time businessmen are perceived as corrupt. . . . We have to work under the cover of darkness because of the bad image of business.”

The problem, he said, is that the public has developed an irrational desire “for a risk-free society which is debilitating.” Corporations, of course, have risen above this particular disability, but when they attempt to communicate sensibly with the rest of us, they mistakenly tend to dismiss our fears as “dumb or irrational.”

According to Buckmaster, corporate efforts at risk communication often fail because they underestimate this emotional aspect of “risk perception.”

“Do you have difficulty explaining your organization’s position on controversial issues to your grassroots members?” he asked. “Do you ever wonder why an illogical, emotionally-driven argument . . . can overwhelm a scientifically-sound argument from your organization? If so, this session will show you how to win public support for your issues and how to overcome the fear and anxiety of your grassroots members, stakeholders, and the public at large.”

The root of the problem, Buckmaster said, is that “we talk to people wrong.” Corporate risk communications is not about winning an argument through science or logic, but about “engaging people, communicating with them.”

Risk analysts traditionally define the risk associated with a public health hazard as a function of “magnitude times probability,” but Buckmaster argued that public relations professionals should use a different formula. “The hazard plus the outrage equals the risk,” he said.

The “irrational” factor of outrage “drives crisis situations . . . closes down [the public’s] eyes and ears . . . and makes it impossible to teach anyone anything—when they are afraid. . . . Once people are outraged, they don’t listen to hazard statistics, . . . don’t use numerical risk comparisons.”

In fact, Buckmaster said, “managing the outrage is more important than managing the hazard,” He cited the example of the Exxon-Valdez oil spill in Alaska where he claimed that public outrage outweighed the actual hazard, which “was unpleasant but manageable.”

Buckmaster handed out a card offering H&K’s “Axioms of Disaster Survival,” which included the following wisdom:

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***“Managing the outrage is more important than managing the hazard.”***

**—Hill & Knowlton’s Thomas Buckmaster**

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“Keeping the issues and focus tight and small will help us. Colorful and memorable language creates headlines which are impossible to live down. Twenty-five percent of our resources and 50% of our energy go towards fixing yesterday’s mistake. Positive, aggressive assertive communication does the following: limits follow-up questions; focuses on the most important aspects of the problem; and moves the public process forward to resolution. There is no question we can be asked about our situation that should surprise us. The same holds for anger. No question asked of us should make us angry. Preparation, rehearsal time, and a certain amount of luck will keep us going and help us win.”

In order to defuse an outraged public, Buckmaster advised the audience to “(1) Acknowledge the concerns of the other side; (2) Encourage joint fact-finding commissions; (3) Offer alternatives to minimize impacts; (4) Accept responsibilities, admit mistakes, and share power; (5) Focus on building long-term relationships; and (6) Act in what will be perceived as a trustworthy fashion.”

## SOOTHE ME, SCARE ME

“Risk communication is about two things,” Buckmaster said, “scaring people into action and trying to reassure them into inaction.” Although corporate crisis management focuses on “reassuring into inaction,” he noted that PR firms are sometimes hired to inflame rather than downplay fears.

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# Big Brother Gets Wired: The Dark Side of the Internet

*Your boss calls you into his office and hands you a phone number. "Call your senator," he says. "I've got a piece of legislation that I need killed, and I want you to lobby against it for me. Here's a script spelling out what I want you to say. I'll just sit right here and listen in on your conversation."*

This scenario—a vision of dictatorial hell for employees, heaven for corporate lobbyists—is not only possible but happening today on a mass scale, thanks to companies like Gnosnos Software.

In a leaflet for a product called "Net Action," Gnosnos gives an example of the way computer database and internet technologies are giving corporations unprecedented control over the political activities of their employees:

"Susan Michaels, Grassroots Director for ABC Corporation, comes to work on Tuesday morning and is greeted with email from the Washington office regarding an urgent legislative effort," the leaflet begins. "An amendment is being offered to the telecommunications reform bill which is against ABC Corporation's interests. The Washington Office requests a Net Action alert for the House of Representatives. Time is now 9 a.m.

"Susan drafts an email and reviews it with the Washington office until 10 a.m. At 10 a.m. Susan sends a corporate-wide email broadcast which hits 10,000 desktops throughout the United States within 30 minutes, using the internal email system. Susan requests immediate Net Action messages to be sent to congress@gnosnos.com to be forwarded to Congress.

"Between 10 a.m. and 1 p.m. 1,000 employees (10%) take 5 minutes and send an email with their name, address, and message to congress@gnosnos.com. Net Action properly formats the email and routes it to the office of each constituent's legislators."

"At 5 p.m. Susan receives a thankful call from the Washington office stating that the primary proponents of the planned amendment have decided to pull the controversial amendment, in part due to grassroots activity."

"The next morning Susan receives a file with the full list of the 1,000 respondents to the Net Action. In 10 minutes, she processes these responses . . ."

This Orwellian scenario is no futuristic fantasy. It is a chilling example of the dark side of modern technology in actual current practice. Using the combined power of computer databases and internet communications, corporations are "empowering" their employees by ordering them to lobby en masse, while digitally recording their activities so they can be "processed" and monitored.

This type of technological trickery was not only tolerated but celebrated at the Public Affairs Council's "National Grassroots Conference for Corporate and

Association Professionals" in Key West. In workshop after workshop, presenters stressed the importance of using modern computer and communications technologies to the fullest extent possible.

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***"Get employees to see that they're not just volunteering their time, but that it's part of their job."***

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The sophistication of a company or trade association's database and communications system is the key to the "grassroots" lobbying technique. The first step is to store data on company employees and retirees in a computerized database which is "enriched" with 9-digit zip codes and matching state and federal legislative districts, enabling the company to identify each employee's state and federal legislators are, along with his or her voter precinct. Databases also keep track of employee phone numbers, e-mail addresses, history of political activity and contributions, special connections and potential influence over specific politicians.

This database in turn is integrated into "campaign management software," which keeps a record of each individual's political lobbying on behalf of the company. Through the internet and automated telephone technology, companies can rapidly "patch through" employees to the offices of their elected officials.

## **"CORPORATE ACTION NETWORKS"**

The pharmaceutical giant Merck & Co. is one of the companies that is using the information superhighway to mobilize a "Merck Action Network" of 8,800 company employees and retirees. Participants receive a quarterly Grassroots Update and "Action Alert," and participate in their industry-wide trade association lobbying network, the Health Care Leadership Council.

Merck's Laura Romeau described how Merck leads the troops using its own internet website. According to Romeau, the company deliberately has avoided registering the website (<http://congress.nw.dc.us/merck/>) on any internet search engine, so as "to preserve it as a membership privilege" and to prevent "anyone else from going into it."

Merck's recent actions include generating 800 individual telephone calls to Congress in order to lobby for "FDA Reform" (i.e. speeding up pharmaceutical drug approvals), along with gathering 80,000 names in a petition drive.

Romeau emphasized that Merck, in contrast to some corporations, is "very careful about who, what, and how

much we ask people to do,” although she qualified this by saying “except during the health care reform debate, when everything was on the line.”

Whatever “very careful” means, it does *not* mean that Merck avoids pressuring its workers into supporting its political positions. “Get employees to see that they’re not just volunteering their time, but that it’s part of their job,” Romeau advised. She also advised fellow PR pros to monitor the success of their grassroots efforts by “asking employees for copies of letters and responses.”

Upon first perusal, Merck’s website looks indeed like an appealing model of computer-enhanced individual empowerment. It includes a database enabling visitors to type in their zip code and see a list of their congressional representatives. Other features make it easy to quickly compose and send email. Rather than going directly to the congressperson in question, however, the email gets routed through the company’s web server—a subtle way of signaling employees that their messages can be easily monitored.

During a “Fundamental Grassroots” workshop, PAC staffer Leslie Swift-Rosenzweig kept a straight face as she described employee participation in company grassroots lobbying as “voluntary.” She added, however, that “some companies are putting grassroots activities into their job descriptions.”

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***“People will be anxious to please you. They remember the one who hired them.”***

**—Jack Mongoven, Mongoven, Biscoe & Duchin**

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Jack Mongoven of Mongoven, Biscoe & Duchin was even more blunt. Asked how public affairs officers could get more employees active in company lobbying programs, Mongoven replied bluntly, “Get a letter from the CEO or a company vice-president. . . . People will be anxious to please you. They remember the one who hired them.”

## THE FLIP SIDE

Merck’s annual grassroots budget is “\$200–300 thousand per year,” Romeau said—small in comparison to the company’s lobbying and Political Action Committee donor programs. At first glance, therefore, the



***Merck Pharmaceutical’s website promises to put “Congress @ your fingertips.”***

scale of Merck’s Action Network may not seem terribly significant. Keep in mind, however, that one out of every six workers in the United States is now employed by a large corporation such as Merck and that nearly all of the Fortune 500 are presently gearing up to “go grassroots” with a vengeance.

Multiply the impact of the Merck Action Network by 500 and you start to get a sense, not only of why corporations presently “rule,” but also how they plan to remain in charge well into the 21st century.

Corporations realize, however, that computer and internet technologies also threaten to create forces beyond their control. “Many public interest activist groups are way ahead of corporations,” warned Samuel A. Simon in a seminar titled “Learning How to Harness the Power of the Internet for Your Grassroots Program.”

To illustrate his point, Simon used an overhead projector to display the interactive web sites of the Sierra Club (<http://www.sierraclub.org>) and the League of Conservation Voters (<http://www.lcv.org>).

Simon noted that information overload is increasingly making it difficult to find anything or, conversely, to persuade the public to pay attention to information broadcast via the internet. The solution, he argued, is to “push your information in an inter-modal way, to reach out to people in the way that they want to be reached (i.e. by fax, pager, phone, or computerized e-mail.)”

Bell Atlantic, for example, uses an automated list server to feed customized information to over 700 reporters across the country. When registering with Bell Atlantic through Bell’s internet site (<http://www.ba.com>), reporters fill out a registration form that specifies what kind of news story and angle interests them and how they

want to receive news releases, advisories, graphics and other background materials. Armed with this information, Bell is able to spoonfeed reporters just the information they need to write their story.

"Have any companies here been attacked on the internet?" Simon asked. Several people raised their hands, including a representative from Brown & Williamson Tobacco Co. "Then you understand," Simon said, "the importance of having ongoing monitoring of what is being said about your company."

Fortunately, he added, companies can "hire a young person knowledgeable about computers for very little money" to help them monitor what's being said about them on the internet.

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***"I feel a bit guilty, because  
some of these new technologies  
smack of Big Brother."***

**—Verne Kennedy, Marketing Research Institute**

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Services like Nexis-Lexis and Alta-Vista enable corporations to track virtually every instance in which they are mentioned in the news or on the internet. If corporations don't want to do this in-house, they can hire other companies to do it for them. In fact, as Scott Parven from Aetna Insurance pointed out, sometimes companies prefer to "hire vendors to avoid tainting yourself."

## WE HAVE YOUR DNA

Dr. Verne Kennedy, president of the Pensacola, Florida-based Marketing Research Institute, offered a keynote address on yet another high-tech corporate intrusion into citizens' lives. Looking every bit the part of the absent-minded professor, Kennedy started off his speech with a rather peculiar apology.

"I feel a bit guilty, because some of these new technologies smack of Big Brother," he said as he described what he calls "DNA Grass Roots Targeting."

"DNA," in Kennedy's usage, stands for "demographic niche attributes," which MRI specializes in collecting from surveys, census records, election voting data, consumer and credit data. A person's "DNA profile" includes information such as his or her age, marital status, number of children, length of residence, homeowner or renter status, house value, net worth, number of years of schooling.

"Based upon a person's DNA, we can predict their reaction to a specific message," Kennedy said. DNA profiles are "extremely good at predicting behavior."

MRI specializes in selling this information to right-wing and Republican Party political candidates, along with corporate marketing groups.

Kennedy denied that his company uses confidential information such as the bank credit records, but he admitted that "some less scrupulous companies" are already providing this type of personal information to their clients. ■

## Toxic Sludge Is Good For You! LIES, DAMN LIES AND THE PUBLIC RELATIONS INDUSTRY

*by John Stauber and Sheldon Rampton*

"A book that proves these flacks are hacks!"  
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# China's Corporate Friends in High (and Low) PLaces

Ideology is one thing. *Money* is another.

Quietly, behind the scenes, a coalition of some of the leading corporations in the United States has been working for years to ensure that China's Communist-led government retains most-favored-nation (MFN) trading status—in turn facilitating corporate access to Chinese markets and goods made by low-wage Chinese workers.

Details regarding the structure and tactics of this “industry grassroots initiative” were revealed by Scott Parven of Aetna Insurance at the Public Affairs Council's “National Grassroots Conference.”

“Of course we don't usually talk publicly about our internal political strategy and tactics, but we're all among friends here, aren't we?” Parven said, smiling conspiratorially as he distributed a map and other coalition documents during his presentation, which was titled “Expanding Credibility Through Coalitions and Ally Development.”

China, of course, has been widely criticized for practices that include human rights violations, the use of slave labor and child labor, unfair trading practices, and, recently, allegations of illegal campaign contributions to US politicians.

With nary a word about any of these practices, Parven proudly described how skillful lobbying by a coalition of America's largest corporations has maintained a “business as usual” relationship between American transnational corporations and China's “emerging market” dictatorship.

The corporations listed on Parven's map include Boeing, Nike, IBM, TRW, Allied Signal, Motorola, ConAgra, Rockwell, Dresser, Eastman Chemical, GM, UTC, Ford, AIG, AMP, and American Standard.

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***In Texas, Dresser Industries and Motorola claimed credit in 1996 for delivering 29 of of the state's 31 congressional votes.***

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State by state, each corporate member of the coalition has taken on the “responsibility” of lining up pro-China votes. In Texas, for example, Dresser Industries and Motorola claimed credit in 1996 for delivering 29 of Texas' 31 votes in the House of Representatives.

Parven pointed out that the pro-China business coalition was an outgrowth of previous lobbying efforts by the US Chamber of Commerce and the US-China Trade Commission. The difference this time was that corporations divvied up duties so each company could focus

on serving up votes from a state where that company had sizeable operations and corresponding political clout.

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***“Of course we don't usually talk publicly about our internal political strategy and tactics, but we're all among friends here, aren't we?”***

**—Scott Parven, Aetna Insurance**

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According to Parven, this tag-team approach made the corporations more “accountable”—at least to each other. In Nebraska, for example, ConAgra was responsible for delivering all three of the state's congressional votes. If ConAgra had failed to deliver (it *did* deliver all three), everyone else in the coalition would know that ConAgra had failed to meet its “responsibility.”

## ALL IN THE FAMILY

“Coalitions are serious business,” Parven said. “Our opponents are well-funded and smart. . . . Coalitions exist because there are enemies out there.”

“Coalition-building” was a frequent buzzword at Key West, as executives grappled with questions like the following: “Once we've learned how to mobilize our ‘internal family’ of employees, management, and retirees, how do we move beyond this to mobilize the ‘extended family’ of allies we have outside of our company?”

“These days corporate grassroots campaigns require that we knock on more and more doors—the doors of our customers, distributors, suppliers, related industries and other members of our ‘extended family,’ ” explained Eric Rennie from ITT Hartford Insurance. “It's expensive . . . It's difficult to lay the necessary groundwork.”

The corporate concept of a “family” in fact bears little resemblance to what most people mean when they use that word. Tony Kramer of the Foundation for Public Affairs staff described some of the expensive, high-tech resources needed to bring the “family” together: “You need consultants . . . software vendors, coalition-building consultants, database consultants, management consultants, media consultants.”

In the corporate coalition, Parven explained, “Rule number one” is “show me the money, show me the resources.” Other rules include “Identify and limit the free riders. . . . Stay on the message. . . . Message development is like a sniper. Once you hit with one, move on to the next.”

Last but not least, Parven advised, “Keep internal coalition documents secret. Remember,” he warned, “This is a war.” ■



# Mandarins and Moguls Unite for MFN Initiative

During Bill Clinton's first presidential campaign against George Bush, he called for cutting off China's access to American markets unless democratic changes were made, and said China's "most-favored nation" (MFN) status should be linked to whether it chose to "recognize the legitimacy of those kids that were carrying the Statue of Liberty" in the pro-democracy Tiananmen Square demonstrations in 1989.

For major corporations like Boeing and Motorola, however, China's 1.2 billion people represent a huge potential market for products ranging from cellular phones to airplanes to Coca-Cola and Big Macs. By the mid-1990s, the China market accounted for 10 percent of total sales for the Boeing aircraft conglomerate. Analysts predict that China's rapidly-growing economy will

move from being the third largest in the world to number one in the next century. "Projections suggest vast future demand for infrastructure and for consumer products—all of which American companies would like to provide," reported the *National Journal*.

Alarmed by Clinton's original insistence on linking trade to human rights, corporate lobbyists launched a massive campaign in 1994 which succeeded in reversing Clinton's position. "The result," observed the *New York Times*, "has been an extraordinary struggle pitting executives against former torture victims and prison camp survivors and persecuted Christians in a competition to win the attention of Congress and the Administration."

"In the final weeks leading up to . . . Clinton's decision to grant most-favored-nation trading status to



**This corporate battle map shows how a coalition of US multinationals quietly and successfully mobilized to win most-favored-nation trading status for China, notwithstanding the country's severe history of human rights violations. It was distributed "among friends" at the PAC conference.**

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China, Washington was swarming with lobbyists pushing MFN,” stated the *Legal Times*. “The advocates ranged from an ad hoc group of two dozen major US companies to the Emergency Committee for American Trade (ECAT), a group of 60 chairmen and chief executives of US-owned exporters. . . . Among the lobbyists taking part were R. D. Folsom, a vice president at the D.C. lobby shop R. Duffy Wall and Associates, who represents the Footwear Distributors and Retailers of America; Michael Daniels, a partner in the D.C. office of the New York law firm Mudge Rose Guthrie Alexander & Ferdon; and Mark McConnell and Warren Maruyama, partners at the D.C. law firm Hogan & Hartson.”

As a face-saving measure, Clinton drafted a “voluntary code of conduct” for US businesses operating in China and other countries where human rights violations occur. The “voluntary code” came under immediate criticism from Amnesty International and other human rights organizations. “It’s essentially milquetoast; it lacks political will,” said Jim O’Dea, Amnesty International’s Washington director.

Even milquetoast, however, was too strong for China’s corporate allies. “A code of conduct for China would send the wrong message—that there is a problem with the way American companies are operating in China,” said Calman Cohen, vice president of the Emergency Committee for American Trade. “The problem is with the Chinese government. American companies are (already) promoting human rights in China by simply bringing the democratic values of a market system.”

## BOWING TO BOEING

In 1994, US exports to China reached \$9 billion, and US companies were drooling at the prospect of further expansion. “By the year 2020, China will have the largest telecommunications network the world has ever known,” said William Warwick, head of AT&T’s China operations. “If you are not in China, you will not be able to compete anywhere in the world, including the United States. There are no other places like it.”

“I come from the nation’s most trade-dependent state, Washington state,” said Rep. Jennifer Dunn (R-WA, where Boeing delivered 8 out of 9 congressional votes in 1996). “I believe that trade with China promotes change. US trade and investments teaches the skills of free enterprise that are fundamental to a free society. . . . These products further serve to unleash the free market desires of the Chinese people.”

Meanwhile, US *imports* from China topped \$30 billion—a trade deficit of more than \$20 million, which cast a different light on the number of US jobs “created” by

corporate investments in China. “While the public debate on MFN tends to focus on imports and exports, much of the passion in this discussion is a result of the corporate decision to use China as a low-cost production location,” testified the AFL-CIO’s Mark Anderson during the 1996 congressional hearings.

“We should be clear,” Anderson said. “US multinational companies, the major force behind MFN extension, have adapted to Chinese investment requirements transferring not only capital but valuable technology and jobs. Using low-cost oppressed Chinese labor, they are establishing and contracting with manufacturing export centers to compete directly with US production. Their support for MFN extension is principally about protecting those investments and not about expanding US exports and employment or promoting democracy in China. Indeed, we have reached the point where the most ardent defenders of Chinese communism are US capitalists.”

By 1996, corporations set their sights on a longer-term strategy—changing the terms of the debate by making China’s MFN status permanent so it would not have to undergo further annual reviews. “People are getting sick of going through this annual ritual,” complained Thomas Tripp, public policy director for Boeing, which joined other companies in a project called the “China Normalization Initiative,” aimed at changing US attitudes toward China.

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***“Using low-cost oppressed Chinese labor, they are . . . [competing] directly with US production. Support for China is principally about protecting those investments. . . . We have reached the point where the most ardent defenders of Chinese communism are US capitalists.”***

**—Mark Anderson, AFL-CIO**

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“It’s really an overall grass-roots education effort to help (Americans) understand China relations,” said Boeing official Lawrence Clarkson. “We’re not trying to apologize for China, but we’re trying to help explain what the Chinese are all about.”

“We are contacting Chinese-American organizations, government officials, mayors, journalists, to form a broad-based coalition,” explained Michael Schilling, director for government relations at multinational mili-

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tary supplier TRW Inc. “We’ll write our op-eds, organize events covered by the press, do forums, bring in prominent Chinese officials . . . The media has done a terrific job in pointing out all negatives. What it hasn’t done is given people a feel for the dynamism in China, the entrepreneurialism, the progress.”

The campaign even produced its own video, “New Faces of China,” which the *New York Times* described as “a remarkably dewy-eyed depiction of China—no repression of dissidents, no sales of automatic weapons to gangs in Los Angeles, no nuclear proliferation, but plenty of Chinese enjoying American goods.”

### LET A THOUSAND FLOWERS BLOOM

“Its organizers, intent on playing up the idea that the new push is homegrown in states and cities, not Washington-driven, say it doesn’t really have a formal name,” reported the *National Journal* on June 1, 1996. “And they are reluctant to talk in detail about how it came together. Still, trade specialists around Washington are well aware of the campaign.”

“It’s primarily the multinational companies,” said a Clinton administration official. “They end up revving up a lobbying effort on every one of these trade agreements.” The companies have realized that it makes more sense “to begin to build a sustained grass-roots constituency within states or congressional districts where their particular business is important to the economy,” he said.

In Kansas, Boeing worked with a statewide international trade group to spread its message to community organizations, local businesses and political leaders.

In Michigan, General Motors public affairs director Ed Berry recruited some 80 small and medium-sized Michigan companies—mostly GM suppliers—to join a coalition devoted to lobbying the state’s congressional delegation, holding informational meetings with news media editorial boards, and lining up resolutions of support from local chambers of commerce and industry groups.

In Connecticut, the local grassroots effort was led by the United Technologies Group. In Florida, United Technologies and Motorola teamed up to deliver 16 out of 23 votes.

In Oregon, Nike led the way, delivering 4 out of 5. “It’s very, very important,” said Nike director of government relations Brad Figel. “We’re sourcing about one-third of all our shoes in China. Every athletic footwear company is in the same boat.”

The grassroots campaign tied in with a “grasstops” strategy that mobilized former high-ranking government officials to argue China’s case. “Increasingly, many of our

most distinguished and, in theory, disinterested, experts on US China policy are selling their reputations and knowledge to clients with very particular business interests in China,” noted the March 10, 1997 *New Republic*. “Almost every prominent former government official who speaks out on this subject has direct or indirect financial ties to China. Most of them are Republicans, because a Republican administration first re-established ties with China in 1972, and because Republicans controlled the White House for most of the next twenty years. Besides [Henry] Kissinger and [Lawrence] Eagleburger, they include: former Secretaries of State Alexander Haig and George Shultz, former Secretary of Defense Dick Cheney, former National Security Adviser Brent Scowcroft, former US Trade Representative Carla Hills and Bill Brock, and former Senate Majority Leader Howard Baker. But Democrats have also gotten in on the China game. Besides Vance, there is, for example, former Secretaries of State Edmund Muskie and Warren Christopher, former Ambassador to China Leonard Woodcock, former US Trade Representative Robert Strauss and former Senator Gary Hart.” ■

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## Advice from Hill & Knowlton

*continued from page 4*

Sometimes, he said, flacks “have to help people get outraged” about pressing public issues. “Sometimes you have to scare people into action.”

These comments precipitated a momentary crisis in Buckmaster’s own presentation, when a woman in the audience raised her hand and asked about Hill & Knowlton’s role in “scaring people into action” during the months leading up to the Persian Gulf war.

H&K’s wartime propaganda on behalf of the Kuwaiti government-in-exile remains notorious, even within the PR trade. Buckmaster’s firm engineered the infamous fraudulent testimony in which Iraqi soldiers were falsely accused of ripping Kuwaiti babies out of hospital incubators and leaving them on the floor to die.

As Buckmaster’s audience well knew, this “atrocious” never happened, but H&K nonetheless used the manufactured “baby incubator” incident to whip up war hysteria among the American public and politicians.

The woman’s question prompted a buzz of anticipation, but Buckmaster managed to dodge the question like a true PR pro. “The Pentagon is the best risk-management group in the business,” he mumbled, and quickly changed the subject. ■



# Flacks in Florida: PAC Member Consulting Firms

Members of the Washington, D.C.-based Public Affairs Council include many of America's largest corporations, trade associations, and public relations firms.

Participants at PAC's February grassroots conference looked like a Fortune 500 rogues' gallery: the National Association of Manufacturers, the Chemical Manufacturers of America, the American Association of Health Plans, the Edison Electrical Institute, the American Council of Life Insurance, Kraft/Philip Morris, R.J. Reynolds/Nabisco, Ford, Chrysler, Toyota, Coors, Merck, Glaxo Wellcome, Novartis, American Medical Association, Weyerhaeuser, Grocery Manufacturers of America, Sony, Coca-Cola, Cargill, Kodak, Du Pont, Eli

Lily, Upjohn, Northrup Grumman, Hughes Electronics, Ashland, Allstate, State Farm, Lockheed Martin, CPC International, MCI, IBM, Searle, Johnson & Johnson, Unilever, National Association of Realtors, the Bond Market Trade Association, Bristol-Myers, Zeneca, Hershey, the Nuclear Energy Institute, AT&T, General Electric, Wendy's, Corning, US Chamber of Commerce, Exxon, Amoco, Brown & Williamson, Blue Cross and Blue Shield, Kmart, Shell, 3M, and Polaroid.

The following PR companies appear on a list compiled by the Public Affairs Council of member "consulting firms" which are "the most visible and active in the public affairs arena."

<b>APCO Associates Inc.</b> <i>Washington, DC (202) 778-1000</i>	<b>Michael E. Dunn &amp; Associates</b> <i>Arlington, VA (703) 527-6644</i>	<b>Newmyer Associates, Inc.</b> <i>Arlington, VA (703) 522-1845</i>
<b>James E. Arnold Consultants, Inc.</b> <i>New York, NY (212) 725-0000</i>	<b>Executive Communications Services</b> <i>Kansas City, MO (816) 235-2233</i>	<b>The Pires Group, Inc.</b> <i>Chappaqua, NY (914) 238-7863</i>
<b>Bailey &amp; Robinson</b> <i>Washington, DC (202) 835-8850</i>	<b>Gnosso Software, Inc.</b> <i>Washington, DC (202) 463-1200 ext. 408</i>	<b>Public Affairs Resources, Inc.</b> <i>Chicago, IL (312) 334-6404</i>
<b>Bose, McKinney &amp; Evans</b> <i>Indianapolis, IN (317) 684-5000</i>	<b>Goddard*Claussen/First Tuesday</b> <i>Roseville, CA (916) 774-0628</i> <i>Washington, DC (202) 955-6200</i>	<b>Public Strategies Incorporated (PSI)</b> <i>Austin, TX (512) 474-8848</i>
<b>Bozell Sawyer Miller Group</b> <i>Washington, DC (202) 739-0200</i>	<b>Government Affairs-Maryland, Inc.</b> <i>Annapolis, MD (410) 269-5980</i>	<b>The RTC Group</b> <i>Washington, DC (202) 625-2111</i>
<b>Braddock Communications, Inc.</b> <i>Reston, VA (703) 471-6543</i>	<b>The Hawthorn Group, L.C.</b> <i>Arlington, VA (703) 243-1333</i>	<b>Skadden, Arps, Slate, Meagher &amp; Flom</b> <i>Washington, DC (202) 371-7220</i>
<b>Burson-Marsteller</b> <i>New York, NY (212) 614-4000</i> <i>Washington, DC (202) 530-0400</i>	<b>Himle Horner Incorporated</b> <i>Minneapolis, MN (612) 831-3200</i>	<b>Solem &amp; Associates</b> <i>San Francisco, CA (415) 788-7788</i>
<b>The Capitol Group, Inc.</b> <i>Washington, DC (202) 638-5925</i>	<b>HRN Corporation</b> <i>Philadelphia, PA (215) 299-2900</i>	<b>State and Federal Communications, Inc.</b> <i>Akron, OH (330) 836-3600</i>
<b>Capitol Hill Software</b> <i>Lanham, MD (301) 459-2590</i>	<b>International Civics Inc.</b> <i>Harrington Park, NJ (201) 768-0505</i>	<b>Stateside Associates</b> <i>Arlington, VA (703) 525-7466</i>
<b>Capitoline/MS&amp;L</b> <i>Washington, DC (202) 467-3900</i>	<b>Issue Dynamics, Inc.</b> <i>Washington, DC (202) 408-1400</i>	<b>The Strategic Advisory Group</b> <i>Washington, DC (202) 637-0333</i>
<b>The Clinton Group, Inc.</b> <i>Washington, DC (202) 223-4747</i> <i>Louisville, KY (502) 491-9115</i>	<b>Jones, Day, Reavis &amp; Pogue</b> <i>Cleveland, OH (216) 586-7349</i>	<b>The Strategic Alliances Group</b> <i>Madison, WI (608) 251-8156</i>
<b>CMF&amp;Z-Creswell, Munsell</b>	<b>The Kamber Group</b> <i>Washington, DC (202) 223-8700</i>	<b>Sullivan &amp; LeShane, Inc.</b> <i>Hartford, CT (860) 560-0000</i>
<b>Fultz &amp; Zirbel</b> <i>Des Moines, IA (515) 246-3500</i> <i>Washington, DC (202) 862-4990</i>	<b>Walt Klein &amp; Associates</b> <i>Washington, DC (202) 898-7833</i> <i>Winston-Salem, NC (910) 727-4900</i>	<b>TeleServ</b> <i>Fairfax, VA (703) 205-0050</i>
<b>Communications Advantage, Inc.</b> <i>Washington, DC (202) 467-8200</i>	<b>Landry &amp; Associates</b> <i>Phoenix, AZ (602) 258-5858</i>	<b>Triad Communications, Inc.</b> <i>Washington, DC (202) 332-3800</i>
<b>Davies Communications</b> <i>Santa Barbara, CA (805) 963-5929</i>	<b>Legislative Demographic Services</b> <i>Arlington, VA (703) 741-7100</i>	<b>Paul Werth Associates Inc.</b> <i>Columbus, OH (614) 224-8114</i> <i>Washington, DC (202) 416-1724</i>
<b>Decision Management, Inc.</b> <i>McLean, VA (703) 749-0585</i>	<b>Mongoven, Biscoe &amp; Duchin, Inc.</b> <i>Washington, DC (202) 429-1800</i>	<b>Western Union Commercial Services</b> <i>Upper Saddle River, NJ (201) 818-5000</i>
<b>The Direct Impact Company</b> <i>Alexandria, VA (703) 684-1245</i>	<b>MultiState Associates Inc.</b> <i>Great Neck, NY (516) 466-0266</i> <i>Alexandria, VA (703) 684-1110</i>	<b>Winner/Wagner &amp; Francis</b> <i>Washington, DC (202) 333-2533</i>