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3rd FAIRER WORLD FORUM

Getting Down to Detail in the Globalisation Debate

A number of important areas of agreement and of conflict on the topic of corporate social responsibility were highlighted at the third **Fairer World Forum** at the **Bibliothèque Solvay**. The conference, which was sponsored by DHL, BP and Telecom Italia, brought together senior figures from the worlds of commerce, science, trade unions, government and NGOs. It dealt with two main questions; 'Are multinationals the "unsung heroes" of development aid?' and 'How are global commodities markets rigged against the Third World?'

Does 'corporate social responsibility' mean the same thing in the first and third worlds?

Finding a definition

All the speakers in the first session agreed that the main problem with CSR was the lack of a common definition. There was a consensus that this, together with the lack of a framework by which to measure companies, made any debate fuzzy.

Disagreement centred on how CSR ethics should be applied and if they are inherently Western. However, there was general consensus that some form of CSR regulation or monitoring could be put in place if a definition of a fair society were agreed.

Opening the discussion, **Klaus M. Leisinger**, President and Executive Director of the Novartis Foundation for Sustainable Development, noted that whilst the business sector had fulfilled responsibilities that previously belonged to the state, society does not trust big companies. "The pharmaceutical industry, for example, is perceived as being irresponsible and acting against the poor and the sick." He said that any attempt to draw up CSR guidelines therefore requires an understanding of what constitutes a fair division of responsibility in society. "This is hard to create when views are so divergent."

Recognising this, **Simon Webley**, Research Director at the Institute of Business Ethics, identified several key issues in the CSR debate:

- No common definition exists and debate has been fuzzy and inconclusive.
- The needs of the five stakeholders (employers, customers, suppliers, stock-

- holders and society) should be met.
- Businesses do not distinguish between where their HQ is and where they operate.
- Corporations will only undertake a CSR programme if there is a good business case for it; they are not conduits for other social, developmental or political agendas.

Agreeing that CSR was inherently fuzzy **Anthony Sampson**, Director of Corporate Social Responsibility at Aviva, suggested that the most important thing to do was to define it and decide whether it should be binding or voluntary.

The ethics of CSR

Dwight Justice described CSR as form of business ethics that emphasises the moral obligation of management to take into account the impact of business activities on others. In part the interest in CSR can be traced to the consequences of liberalisation, deregulation and privatisation policies in the last twenty years and the failure to develop appropriate legal and institutional frameworks to govern business activity. CSR emphasises management decisions and downplays important institutions such as collective bargaining and industrial relations. In most countries trade unions constitute the largest civil society organisations and remain the most important private means for ensuring that business activity has positive social impacts.

John Elkington, Chairman of SustainAbility (Business consultancy on CSR and sustainable development), disagreed with Justice and suggested that traditional stakeholders had been overtaken by new voices. He said that trade unions were now seen as reactionary and

"Investor Companies are party to enormous power and responsibility through their international investments," he said. "Yet the manner in which they use this power and tackle their responsibilities remains, in most circumstances, a decision that is taken at board level. This is likely to change just as soon as the social forces of globalisation (global public opinion) catch up with the economic forces of globalisation (flow of money) that created these investment opportunities." He warned that investor companies would increasingly feel the weight of civil society forcing them to take more than a merely economic role in the developing world.

Who gains from falling coffee, cereals and other commodity prices?

The third section of the debate focused on how different approaches to the issue of commodity prices could offer varied and complementary solutions. Several speakers encouraged multinationals to become more involved in fair trade and to work directly with small producers to facilitate development. Caution was advised with respect to the emergence of GMOs and their potential use in a development context.

Liselotte Isaksson, from the European Commission's Directorate General for Development, explained how a forthcoming EU action plan on agricultural commodities, dependence and poverty was seeking to tackle the situation facing commodity dependent producers and countries. She said that many of these countries were Highly Indebted Poor Countries with a low Human Development Index and tended to have

little capacity to cope with price fluctuations and declines. "As producers are the weakest party in the commodity chain and will therefore bear most of the costs of inefficiencies, it is important to improve the efficiencies in the chain as a whole. For instance, many things can be done to assist farmers cope with price fluctuations and declines." Isaksson said the international community should make informed choices about what they were buying, but that Fair Trade rules do not negate the need for efforts on the ground to improve the competitiveness of agricultural commodity sectors and thus the situation of producers. Development aid had an important role to play in this regard.

Discussing Fair Trade, **Gonzague de Beer**, Director of Max Havelaar Belgium, bemoaned the fact that the movement was not well known and was often misunderstood by the public. "The Fair Trade movement does not view trade as an enemy but as having the potential to improve developing countries," he said. "The economic pillar should be used to develop the political, social, judicial, educational and social pillars which are too weak to develop themselves. Fair Trade labelling allows MNCs to be involved in Fair Trade as a means to increasing the market share of such goods."

GMOs

Supporters say GMOs could be another way to get the current system working for the world's poor. However, ever since the Green Revolution in India in the 1970s, GMOs have received a mixed press. Critics argue that they are more expensive and require more fertilisers than normal seeds, but other maintain their yields are greater and that they have a greater resistance to disease.

Agni Vlavianos-Arvanitis President and founder of the Biopolitics International Organisation, argued that biotechnology was currently revolutionising the food chain. He said that by means of genetic manipulation, seeds could be modified, products could be transformed, and pest resistant varieties could be created. "Over the last 15 years, plant breeding has resulted in steady, substantial increases in yield in many parts of the world." However, calling for caution, he warned, "The effects of the introduction of new biological elements in ecosystems may

take years or decades to be sufficiently understood. Nevertheless, people in the developing world should be more aware of the choices that they are making."

Philip D. O'Brien of UNICEF noted that many of the arguments put forward in favour of GMOs were also used in the Green Revolution in the 1970s. He warned that whilst GMOs do have the potential to be of great benefit to society, important ethical decisions must be taken. Isaksson explained that the European Commission did not believe it was up to them to tell

Some say only 0.01% of world trade is "fair"

Fair Trade means an equitable and fair partnership between marketers in developed countries and producers in Asia, Africa, Latin America, and other parts of the world. A fair trade partnership works to provide low-income artisans and farmers with a living wage for their work. It includes paying a fair wage in the local context, offering employees the possibility for advancement, providing equal employment opportunities for all people, particularly the most disadvantaged. It also embraces environmentally sustainable practices open to public accountability, long-term trade relationships, healthy and safe working conditions within the local context and financial and technical assistance to producers whenever possible.

A few figures:

- Worldwide, fair trade sales total \$400m each year.
- Of \$3.6tr of all goods exchanged globally, fair trade accounts for only 0.01%.

- Fair trade businesses return 1/3 to 1/4 of profits back to producers in developing countries.
- 60 to 70% of the artisans providing fair trade hand-crafted products are women. Often these women are mothers and the sole wage earners in the home.

Fair trade often favours cooperative network because they represent a healthy alternative to sweatshop-style manufacturing systems. Generally, fairly traded crafts don't cost more than other goods because the large percentage taken by middle people is removed from the equation. The cost remains the same as traditionally traded goods; however, the distribution of the cost of the product is different. In some cases, like coffee, the producers receive a significant price more per pound, and the price is higher than grocery store coffee, but comparable to gourmet coffees. However, before an international label is put in place with a control mechanism, it remains uncertain that fair trade will evolve to greater proportions.