

## CONSUMERS INTERNATIONAL WORLD CONGRESS

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**Speech for Sustainable Consumption:**  
**consumer demand for corporate action**  
**Crystal Palace, Luna Park, Sydney**  
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Thank you for the opportunity to speak to you this morning. Oxfam International values the opportunity to try to forge closer links between our organisation and the global consumer movement. We have much in common and there is much to be gained from working more closely together.

I've been asked to speak today on some of Oxfam's experiences in trying to influence the private sector, in holding them accountable for their impacts on the rights of people affected by their operations.

Before I begin considering this issue, a few words about Oxfam International. We're a global confederation of thirteen non-government development agencies. We engage in long-term development programming, respond to humanitarian emergencies and advocate and campaign for changes in the policies and practices which sustain poverty and poverty-related injustice. Generally we work with partner organisations – local NGOs, community based groups and sometimes provincial and/or district governments and all told we work in over 100 countries on every continent, save the Antarctica.

The Oxfams vary in size and capacity, have differing approaches to government funding and have been in existence from over 60 years to less than fifteen. Oxfam International is a relatively new global network, just over ten years old. Advocacy is central to Oxfam International – in many ways it's the glue which holds us together and we have advocacy offices in Washington, New York, Geneva and Brussels.

Regardless of our diverse capacities, we're united by a rights based approach to development, a common brand, a determination to align our work and a shared strategic plan.

Trying to influence the private sector – and especially foreign direct investment - has been central to much of our Oxfam's work in recent years as its importance for international development has grown. This morning I'd like to reflect on some of these experiences and to share some of the strategic challenges we face.

But first a couple of starting points.

**First, Oxfam believes that the private sector can be a force for good.** But regardless for people in developing countries it is the reality of life and of their future. Most of the sources of investment into the developing world come from the private sector. The big change happened in the early 1990s – in 1990 the private sector accounted for just 25% of investment into the developing world and foreign aid provided 75%; just six years later these numbers had reversed. 75% of investment into the developing world came from the private sector.

Oxfam believes that large-scale poverty alleviation requires sustained – and sustainable – economic growth. The experience, for instance in East Asia is that

growth combined with appropriate state intervention such as proper competition policies, anti-corruption measures, protection of vulnerable industries, effective taxation and heavy investment in education and healthcare – can produce equitable growth and large scale reduction of poverty.

And the private sector is the engine for much of this growth.

Oxfam believes that markets must be placed in the service of equitable and sustainable development to enable poor people to attain their basic rights. Regulated in the right way, markets can be made to assist poor people in the attainment of their rights.

We further believe that the most fundamental aspects of human development cannot be left to the uncertainty of market forces. Essential services should not be left to the vagaries and risks of the market alone and it is governments which must be held accountable for the effective delivery of affordable essential services for their citizens. Uncontrolled markets cannot and should not be used where the human cost of failure is unacceptable.

But here's the rub. Unregulated, however, markets can lead to the marginalisation of millions and to serious long-term harm to the environment. As Nick Stern argued in his landmark report of last year, climate change represents the greatest market failure of modern times where supply and demand curves set fossil fuel prices and carbon has been regarded as what economists refer to as an "externality" with no market price.

Markets abound with such imperfections, asymmetries and failures. Unregulated, these imperfections generally work to the benefit of those with power and wealth and lead to what has been referred to as the "tragedy of the commons" when environmental costs are neither factored in nor effectively regulated by governments. In a globalised era, this can disadvantage the economic and social prospects for entire nations as well as specific communities and social classes.

The reality is that regulation can work – witness efforts against acid rain or ozone depletion.

**Secondly, the private sector is not monolithic.** Even if one just focuses on transnational corporations, then their diversity is great. Their industries are different, their policies and practices vary, their openness to public pressure and to other forms of leverage differ as does their access to capital and their mobility in their operations. Their home environment varies – and with the growth of newer TNCs emanating in countries like China, Russia, Brazil and South Korea and other emerging economies these differences will matter more.

This diversity demands of those of us seeking to influence corporate behaviour that we are more nimble, creative and flexible in approach. We cannot work on the assumption that the old ways of changing things will continue to work. Life is more complicated than that.

**Third, the record of those of us seeking to influence the private sector has been mixed at best.** It's time for a stock-take and a reflection on what's worked, what's likely to continue to be useful and where we need to change tack. The world has changed; I'm not sure whether those of us working for rights based development, for a sustainable development, have recognised these changes and responded accordingly.

Just to mention one change. The economic powerhouse of the world, driving much of the global economic growth we have experienced over the last decade is China. I know for sure that here in Australia that our economic and political scene would be very different if China had not grown in the way and at the pace it has, including its ravenous appetite for energy and other natural resources.

Yet much of action for corporate responsibility remains focused on those companies which are close at hand.

How much of our collective work just resulted in effective and sophisticated greenwash by the companies targeted or has only resulted in changes in corporate behaviour which are driven more by the bottom line – and I'm not talking here about triple bottom lines?

And do we need to be more open about engagement which is based on the assumption that the company wishes to do the right thing but lacks the tools to do so? And should our role be more that of accompaniment in these sorts of instances rather than confrontation or traditional advocacy?

How much of our collective efforts been focused on the high profile companies and brands while others have slipped below the radar screen causing grave harm to those affected by their operations- and profiting accordingly?

So three givens – the private sector is central to development, that it's not monolithic and that is changing and that we have a mixed record at best influencing their actions.

So what are the challenges for those like Oxfam International and for the members of Consumers International who want the private sector to live up to its potential? I'd like to draw upon some of Oxfam's experiences which may be of value.

Here's seven lessons that Oxfam has drawn from our experiences with trying to influence corporate behaviour.

**First, keep your eye on the prize.** Our objective is to change corporate behaviour; we should not prioritise *how* we try to do so over the achievement of the goal. I have described our approach as being absolutely fixed on our objective and absolutely flexible in how we seek to do so. We should not make a fetish of certain types of actions or strategies, either ruling them out or in because they suit our ideological predilections.

**Second, different strategies will work with different corporate targets at different times.** An example. The world's largest mining company is now known as BHP Billiton and it is headquartered in Australia. In the mid 1990s, the company then known as BHP, ran a mine in Papua New Guinea called Ok Tedi. It was an environmental and social disaster which the company compounded by refusing to listen to local landowners. Oxfam and a range of other development and environmental groups worked with the landowners, often in quite confrontational campaigns. We had no choice as the company clearly showed that it was impervious to other forms of influence.

Over time – and after much cost to the company – BHP Billiton has demonstrated that it has been prepared to change course. Oxfam Australia has worked with them as they have sought to incorporate a much greater understanding of social and

environmental concerns into their operations. We train their staff; we participate in their Forum for Corporate Responsibility which brings together senior company and civil society representatives. We engage. But we have also kept our independence – we don't for instance accept any donations from the company. We do respect the integrity of our relationship and will raise any issues about their operations around the world with them directly in the first instance. We have kept our eye on the prize of seeking to influence their policies and practices and be willing to use whatever strategies or tactics which are most likely to help us in this quest.

**Third, research is vital** – we seek to make a rigorous evidence based case for change. Such an approach underpins our campaigns for change in corporate behaviour. It has been central to Oxfam's and broader campaigns to pressure the pharmaceutical industry to increase access to more affordable antiretroviral medicines for HIV positive people. It's been the hard work of documenting the experiences of factory workers in the sportswear industry throughout Asia which has been the bedrock of our work to improve their lot.

Fourth, while research is vital, it's not sufficient. We have to **demonstrate that there's a constituency for change**. We seek to mobilise ordinary citizens – in their various capacities, as consumers, shareholders, superannuation or pension fund holders – to pressure companies and industry bodies for change.

**Fifth, where possible and appropriate we seek to empower consumers through information and where possible providing them with ethical alternatives.** Over the last few years we have worked to improve the lot of the world's 25 million coffee farmers. We've pressured the four big coffee roasters but we've also worked to develop the ethical alternative –independently certified fair traded coffee which delivers a guaranteed and better price to producers. And around the world, the market for fair trade commodities, especially coffee, is growing. In key markets it's moving beyond being a niche product. This is a market driven solution which is helping deliver the prize of a better deal for some of the poorest agriculturalists in some of the world's poorest countries.

Sixth, **sustainable change takes time**. Oxfam Australia first started working on the social and environmental impacts of Australian based mining companies operating in developing countries in the mid 1990s. About the same time we began our work to try to improve working conditions in the sportswear industry. We're still at it. We've had our successes in that time as well as disappointments and frustrations. But in both instances we've seen important change and have learnt a lot.

**Finally, technology and the information superhighway is a critical factor in achieving change.** One example. Recently we've been working with the Ethiopian Government and coffee producers in that country to pressure Starbucks over their trade marking of certain types of coffee. Critical to our success was the fact that we hit the company simultaneously in 113 countries through a combination of traditional activism, the media and web based campaigning through means such as You Tube.

Looking ahead what are the key challenges facing those of us working for the corporate sector to play a positive role for sustainable development?

Here's two.

**First, we need a sense of urgency.** There is a social and environmental crisis with the climate change crisis, the growing gaps between rich and poor and an increasing scarcity of vital resources.

To illustrate this crisis:

- Our global ecological footprint is growing unsustainably. By 2050 our population will grow by 50% from current levels to 9.5 billion (that's an additional 3.5 billion more people in 40 years) and we will be consuming the resources of two planet earth's by then based on current patterns.
- As we know, we must at the same time cap CO2 levels at 450ppm to avert dangerous climate change. Equity must be at the heart of an effective response to the climate change crisis.
- Whilst food production is matching population growth globally, freshwater resources are becoming scarcer and this will drive conflict, fish and timber harvesting rates are unsustainable and biodiversity is being lost at an accelerating rate.
- Inequality is increasing, with the wealthiest 10% of the world's people controlling 71% of resources and the wealthiest 1% controlling 32%.

We need significant changes in attitudes and behaviours – and indeed consumption patterns – of citizens around the world. A step change in corporate behaviour is urgently required as well as unprecedented cooperation amongst governments.

### **Secondly, our points of leverage over corporates are changing.**

There seem to be four major points of leverage over company behaviour. These are:

- Access to capital through influencing individual shareholders, pension fund administrators or other providers of capital.
- The views of employees
- The views of the market – in other words consumers
- Utilising the regulatory environment that the company is operating.

In a sense underpinning each of the points of leverage, especially the first three, is the notion of "reputation".

We need a hardheaded assessment of what is likely to work in each particular instance at each specific time.

Campaigners have frequently used market forces – essentially mobilising consumers *as consumers*– to achieve their goals. Boycott campaigns – such as that against infant formulae manufacturers or against Barclays Bank in the UK in the 1980s in protest against their financing of the then *apartheid* regime are examples.

The logic of these sorts of campaigns is that the company will suffer economically through loss of sales and that the company's reputation will be affected adversely.

This sort of approach may work if the product is easily identifiable, if there is a consumer constituency which can be reached and thus potentially mobilized and if there is an alternative source available.

But the reality is that there are many cases where this is not an option. One example - much of Oxfam Australia's private sector engagement in the last decade has been focused on the mining industry. Many of the products of this industry are not

consumer products, never will be and are clearly not identifiable. Iron ore is not something you buy at your local supermarket. Pressure from consumers as *consumers* is just not in our tool kit in this instance – we have to find other ways of achieving change.

Of course there can be even with mining products some potential for consumer action. The “No Dirty Gold” campaign is an example.

I’d also suggest that in most instances consumer based campaigns have had little direct effect on the economic prospects of the company concerned. The impact is more likely to be on the public reputation of the company. A company with a poor reputation can find its prospects affected in all sorts of ways.

Of course there is positive consumer action – of using our power as *consumers* to influence corporate behaviour such as the example of fair traded coffee.

And then there’s the attitude of staff.

More than a few mining company executives have said to me that it is the views of their staff which have been instrumental in forcing senior executives to reconsider their approach to social and environmental debates and practices. Their staff live in the community, interact with others who may not work in their industry and who pick up on general public debate. A company with a poor social reputation will find that in times of tight labour markets that it is more difficult to recruit and retain staff.

Influencing access to capital is another possible leveraging point. In this country for instance opponents of a controversial pulp mill are now seeking to influence the company concerned access to capital. And of course there are examples over many years of social responsible or ethical investors.

That may be an appropriate strategy if the capital is being accessed from traditional sources. But again there are significant limitations. There are now many more sources of capital. It’s not just the big banks in countries like the US or Australia; it’s not just Wall St. or the City of London.

Then there’s the regulatory environment, using it to influence corporate behaviour. Oxfam is obviously concerned with influencing the practice of the private sector in developing countries. The reality is that in many instances laws are relatively lax or under-utilised. And even when the legal framework is reasonable, compliance and enforcement is weak.

An emerging priority for Oxfam is to consider ways in which we can help southern governments develop their legislative framework and enforcement capacity.

This morning I’ve outlined the importance for Oxfam of influencing corporate behaviour and drawn on some lessons we’ve gained over the years. Underpinning much of our approach is that we have to work with others to achieve change. And for me, Consumers International and Oxfam International are two groups which should be working more closely together in our quest for more accountable corporate behaviour as we strive for sustainable development.

The time is right, the need is great, the potential is massive – let’s do it!

Thank you.

